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TOWN OF AMITE CITY

Louisiana

ANNUAL FINANCIAL REPORT

June 30, 2004

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Release Date 1-26-05

TOWN OF AMITE CITY

Louisiana

ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Required Supplemental Information (Part I)	
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds	
Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Proprietary Fund	
Statement of Net Assets	19
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund	20
Statement of Cash Flows	21
Fiduciary Funds	
Statement of Fiduciary Net Assets	22
Notes to the Financial Statements	24
Required Supplemental Information (Part II)	
Budgetary Comparison Schedules	
General Fund (Summary - Detail)	50
Sales Tax Fund	55
Other Supplemental Information	
Schedule of Expenditures of Federal Awards	57
Non-major Governmental Funds:	
Combining Balance Sheet	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	59
Utilities Revenue Bonds - Additional Information	60

TOWN OF AMITE CITY

TABLE OF CONTENTS (continued)

	<u>Page</u>
Other Independent Auditor's Reports and Findings	
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	67
Summary Schedule of Prior Year Audit Findings	69
Schedule of Current Year Audit Findings	71
Management's Corrective Action Plan for Current Year Audit Findings	79
Management Letter	82



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor Reggie Goldsby and
Members of the Town Council
Town of Amite City
Amite, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the fiduciary fund, and the aggregate remaining fund information of the Town of Amite City, Louisiana (Town) as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the fiduciary fund, and the aggregate remaining fund information of the Town of Amite City, 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 Town of Amite 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*, Statement No. 37, *Basic Financial Statements - And Management's Discussion and Analysis - For State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of January 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 9, 2004, on my consideration of the Town of Amite City's internal control over financial reporting and on my 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 my audit.

Management's Discussion and Analysis on page 4 through 11 and the budgetary comparison schedules on pages 50 through 55 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Amite City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Town of Amite City, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Certified Public Accountant

November 9, 2004

REQUIRED SUPPLEMENTAL INFORMATION
(PART I)

Town of Amite City

Management's Discussion and Analysis As of and For the Year Ended June 30, 2004

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

This is the first year that the Town has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement Number 34. Because this new reporting model changes significantly not only the presentation of financial data, but also the manner in which the information is recorded, prior year comparative information for this reporting period's MD&A has not been included.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information (RSI) that is provided in addition to this Management's Discussion and Analysis.

Overview of the Financial Statements

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

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Other Supplementary Information, which is in addition to the basic financial statements themselves.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to a private-sector business.

1. The *statement of net assets* presents information on all of the Town's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or weakening.
2. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Town of Amite City

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2004

The government-wide financial statements further assist the readers in their evaluation by distinguishing functions of the Town into:

1. *Government activities* that are principally supported by taxes and intergovernmental revenues, and
2. *Business-type activities* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded its liabilities at the close of the most recent fiscal year by \$3,648,369 (net assets). Of the total amount, \$408,556 are unrestricted net assets. The Town's net assets are comprised of \$1,668,732 from Governmental Activities and \$1,979,637 from Business Type Activities as shown on page 13.

By far the largest portion of the Town's net assets (74.13 percent) reflects its investment in capital assets (e.g., land, buildings, machinery & equipment, vehicles, Town infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (14.68 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$408,556 unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

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

Town of Amite City

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2004

Town of Amite City's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 975,709	\$ 233,952	\$1,209,661
Capital assets	<u>836,898</u>	<u>3,201,737</u>	<u>4,038,635</u>
Total assets	<u>1,812,607</u>	<u>3,435,689</u>	<u>5,248,296</u>
Long-term liabilities outstanding	44,428	1,286,310	1,330,738
Other liabilities	<u>99,447</u>	<u>169,742</u>	<u>269,189</u>
Total liabilities	<u>143,875</u>	<u>1,456,052</u>	<u>1,599,927</u>
Net assets			
Invested in capital assets, net of related debt	834,777	1,869,615	2,704,392
Restricted	535,421	-	535,421
Unrestricted	<u>298,534</u>	<u>110,022</u>	<u>408,556</u>
Total net assets	<u>\$1,668,732</u>	<u>\$1,979,637</u>	<u>\$3,648,369</u>

Town of Amite City's Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 331,289	\$ 531,484	\$ 862,773
Capital grants and contributions	496,233	-	496,233
Operating grants and contributions	107,345	-	107,345
General revenues	<u>2,059,969</u>	<u>7,395</u>	<u>2,067,364</u>
Total revenues	2,994,836	538,879	3,533,715
Expenses	<u>2,358,848</u>	<u>560,068</u>	<u>2,918,916</u>
Increase (decrease) in net assets before transfers	635,988	(21,189)	614,799
Transfers	<u>(324,920)</u>	<u>324,920</u>	<u>-</u>
Increase in net assets	311,068	303,731	614,799
Net assets - July 1, 2003	<u>1,357,664</u>	<u>1,675,906</u>	<u>3,033,570</u>
Net assets - June 30, 2004	<u>\$1,668,732</u>	<u>\$1,979,637</u>	<u>\$3,648,369</u>

Town of Amite City

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2004

Governmental Activities

The Governmental Activities of the Town include General Government, Public Safety, Streets, Sanitation, Cemetery, Culture and Recreation, Economic Development, Miscellaneous Programs, and Motor Vehicle. Sales taxes, property taxes, and franchise taxes, as well as licenses, permits, fines, and sanitation (garbage) fees fund most of these governmental activities.

The Town's expenditures related to those activities include the following departments: Legislative (Town Council), Judicial, Executive, Financial, and other General Administration. Public Safety encompasses the Police Department and payments to Tangipahoa Parish Fire Protection District #1. The Sanitation Department provides garbage service. The Motor Vehicle Department provides office space and building maintenance for the Louisiana Department of Motor Vehicles.

Governmental Activities Expenditures

	<u>Amount</u>	<u>Percentage</u>
General Government	\$ 856,171	36.30%
Public Safety	726,444	30.80
Streets	479,604	20.33
Sanitation	121,859	5.17
Cemetery	63,283	2.68
Culture & recreation	75,168	3.18
Economic development	12,080	.51
Miscellaneous	15,303	.65
Motor Vehicle	<u>8,936</u>	<u>.38</u>
 Total Governmental Activities	 <u>\$2,358,848</u>	 <u>100.00%</u>

General revenues are those available for the Town to use to pay for the governmental activities described above.

General Revenues

	<u>Amount</u>	<u>Percentage</u>
Taxes:		
Property Taxes	\$ 99,122	3.31%
Franchise Taxes	131,072	4.38
Sales Taxes	1,514,907	50.58
Alcoholic Beverage Taxes	10,700	.36
Licenses & Permits	233,855	7.81
Grants	603,578	20.15
Sanitation Fees	267,310	8.93
Other Fees & Forfeitures	63,979	2.14
Department of Motor Vehicles	22,884	.76
Investment Earnings	6,425	.21
Miscellaneous	<u>41,004</u>	<u>1.37</u>
 Total General Revenues & Transfers	 <u>\$2,994,836</u>	 <u>100.00%</u>

Sales taxes are the largest revenue source for the Town comprising 51% of total governmental revenue.

Town of Amite City

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2004

For the year ended June 30, 2004, ad valorem taxes of 5.67 mills were levied on property inside the Town limits.

Property Taxes	2004 Taxes Levied	Mills
General Fund	\$96,306	5.67

Business-Type Activities

The Business-Type Activities of the Town are those that the Town charges a fee to customers to help it cover all or most of the cost of certain services it provides, this includes water and sewer services.

Business-Type Activities:

	<u>Water and Sewer Fiscal Year Ended June 30, 2004</u>
Operating Revenue	\$531,484
Operating Expenses	\$512,110

Fund Financial Statements

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

1. Governmental funds are used to account for most of the Town's basic services and are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on pages 16 and 18.

Town of Amite City

Management's Discussion and Analysis As of and For the Year Ended June 30, 2004

The Town maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Sales Tax Fund, and LCDBG Fund, all of which are considered to be major funds. Data from the other governmental funds (Economic Development Fund, Capital Improvements Fund, Arts Council Fund, and Small Business Revolving Loan Program Fund) are combined into a single, aggregated presentation. These basic governmental fund financial statements can be found on pages 15 and 17 of this report.

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$346,663. In the General Fund, the unreserved fund balance is \$95,095.

Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the Supplemental Information portion of this report, beginning on page 58 and 59.

2. Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer departments that are considered to be major funds of the Town. The basic proprietary fund financial statements can be found on pages 19 through 21.
3. Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's other programs. The basis of accounting used for fiduciary funds is much like that used for proprietary funds. The Town's two fiduciary funds are the Bond Money Agency Fund which accounts for defendants' bond money held by the Town and the Prisoner Personal Money Agency Fund which accounts for prisoners' money held by the Town. The basic fiduciary fund financial statement can be found on page 22.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 48.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found beginning on page 50 of this report.

1. Budgetary Comparison Schedule – The Town adopts an annual appropriated budget for the general fund and the Sales Tax fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance.

Town of Amite City

Management's Discussion and Analysis
As of and For the Year Ended June 30, 2004

2. Budget Amendment items include:

A. Revenues

The budget for sales tax revenues was decreased \$150,000 because sales tax revenues were less than estimated.

B. Expenditures

The overall general fund budgeted expenditures were reduced \$163,000 because the actual beginning general fund balance was less than the estimated beginning general fund balance. In addition, sales tax revenues were less than estimated.

3. Analysis of Significant Budget Variances in the General Fund:

A. Revenues

Licenses & permits were \$22,955 greater than the estimated amount due to increased commercial construction permits.

Fines & forfeitures were \$15,963 less than budgeted due to a decrease in citations issued by police officers.

Miscellaneous was \$21,514 greater than estimated due to an insurance settlement for a garbage truck that was destroyed by a fire.

B. Expenditures

General government expenditures were \$33,356 less than budgeted due to tighter controls on expenditures.

Public safety expenditures were \$25,648 greater than budgeted due to mandatory increases to the Municipal Police Employee Retirement System.

Other Supplemental Information

1. Combining statements of the non-major Governmental Funds – Economic Development Fund, Capital Improvements Fund, Arts Council Fund, and the Small Business Revolving Loan Program Fund have been provided beginning on page 58.
2. Utilities Revenue Bond information is shown on pages 60 through 63.

Capital Asset and Debt Administration

1. Capital Assets

The Town's investment in capital assets, net of accumulated depreciation, as of June 30, 2004, in its governmental activities is \$836,898 and in business-type activities is \$3,201,737, which totals \$4,038,635 for the Town. This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and park facilities. The total of the Town's investment in capital assets for the current fiscal year included a \$59,488 decrease for governmental activities and a \$735,752 increase for business-type activities.

Town of Amite City

Management's Discussion and Analysis As of and For the Year Ended June 30, 2004

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

- A. New water lines were constructed at a cost of \$215,662.
- B. Final payment on the sewer lines at the Florida Parishes Arena was \$14,311.
- C. Final payment on the improvements to the sewer treatment plant totaled \$602,168.

2. Long-Term Debt

As of the end of the current fiscal year, the Town had total bonded debt outstanding of \$1,330,000. This total amount is backed by a pledge of the Town's water and sewer revenues and the 2% sales and use tax.

The Town's water and sewer debt increased \$520,852 during the current fiscal year. Total principal payments of \$2,053 were paid on the outstanding debt.

Additional information on the Town's long-term debt can be found in Note 15 on page 39.

Financial Analysis of the Town as a Whole

The Town implemented the new financial reporting model used in this report beginning with the current fiscal year ended June 30, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets will be explained and used to discuss the changing financial position of the Town as a whole.

Economic Factors and Next Year's Budget

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

As noted in the government activities section above, sales taxes are the Town's largest revenue source. For fiscal year ending June 30, 2005, there was no budgeted revenue increase in sales tax over actual collections in the June 30, 2004, fiscal year.

Sewer Treatment Plant principal payments will begin January 2005.

Contributions to the Municipal Police Employee Retirement System increased from 15.25% to 21.5%.

The 2002 LCDBG will be completed during the 2005 fiscal year.

The Sidewalk Grant is in the engineering phase and expected to be bid during the 2005 fiscal year.

A Rural Development Grant of \$11,250 for sewer lift station improvements will be received.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mary Lou Lee, Town Clerk, 212 E. Oak Street, Amite, 70422.

BASIC FINANCIAL STATEMENTS

Town of Amite City

STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 228,978	\$ 107,335	\$ 336,313
Receivables, net	157,558	55,727	213,285
LCDBG grant receivable	42,352	-	42,352
Internal balances	11,400	1,857	13,257
Restricted cash and cash equivalents	-	69,033	69,033
Deferred contribution	535,421	-	535,421
Capital assets, net	<u>836,898</u>	<u>3,201,737</u>	<u>4,038,635</u>
Total assets	<u>1,812,607</u>	<u>3,435,689</u>	<u>5,248,296</u>
<u>Liabilities</u>			
Accounts payable	38,544	23,936	62,480
Accrued liabilities	42,667	30,118	72,785
Internal balances	12,414	843	13,257
Utility customer deposits	-	69,033	69,033
Noncurrent liabilities:			
Due within one year	5,822	45,812	51,634
Due in more than one year	<u>44,428</u>	<u>1,286,310</u>	<u>1,330,738</u>
Total liabilities	<u>143,875</u>	<u>1,456,052</u>	<u>1,599,927</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	834,777	1,869,615	2,704,392
Restricted for:			
Capital projects	535,421	-	535,421
Unrestricted	<u>298,534</u>	<u>110,022</u>	<u>408,556</u>
Total Net Assets	<u>\$1,668,732</u>	<u>\$1,979,637</u>	<u>\$3,648,369</u>

The accompanying notes are an integral part of this statement.

Town of Amite City

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues, and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 856,171	\$ -	\$ -	\$ -	\$ (856,171)	\$ -	\$ (856,171)
Public safety - police	640,944	30,106	68,480	-	(542,358)	-	(542,358)
Public safety - fire	85,500	-	-	-	(85,500)	-	(85,500)
Streets	479,604	-	4,865	-	(474,739)	-	(474,739)
Sanitation	121,859	267,310	-	-	145,451	-	145,451
Cemetery	63,283	21,550	-	-	(41,733)	-	(41,733)
Culture and recreation	74,382	12,323	-	-	(62,059)	-	(62,059)
Economic development	12,080	-	34,000	-	21,920	-	21,920
Intergovernmental	8,936	-	-	-	(8,936)	-	(8,936)
Art development	786	-	-	-	(786)	-	(786)
Miscellaneous programs	15,303	-	-	-	(15,303)	-	(15,303)
LCDBG Water tower	-	-	-	496,233	496,233	-	496,233
Total governmental activities	<u>2,358,848</u>	<u>331,289</u>	<u>107,345</u>	<u>496,233</u>	<u>(1,423,981)</u>	<u>-</u>	<u>(1,423,981)</u>
Business-type Activities:							
Waterworks and sewer	<u>560,068</u>	<u>531,484</u>	-	-	-	(28,584)	(28,584)
Total business-type activity	<u>560,068</u>	<u>531,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,584)</u>	<u>(28,584)</u>
Total	<u>\$2,918,916</u>	<u>\$862,773</u>	<u>\$107,345</u>	<u>\$496,233</u>	<u>\$(1,423,981)</u>	<u>\$(28,584)</u>	<u>\$(1,452,565)</u>

General Revenues:

Taxes:

Property taxes	99,122	-	99,122
Franchise taxes	131,072	-	131,072
Sales taxes	1,514,907	-	1,514,907
Alcoholic beverage tax	10,700	-	10,700
Licenses and permits	233,855	-	233,855
Investment earnings	6,425	1,799	8,224
Gain on disposed assets	5,623	-	5,623
Miscellaneous	35,381	5,596	40,977
Intergovernmental	22,884	-	22,884
Transfers	<u>(324,920)</u>	<u>324,920</u>	<u>-</u>
Total General Revenues and	1,735,049	332,315	2,067,364
Change in Net Assets	311,068	303,731	614,799
Net assets - beginning	<u>1,357,664</u>	<u>1,675,906</u>	<u>3,033,570</u>
Net assets - ending	<u>\$1,668,732</u>	<u>\$1,979,637</u>	<u>\$3,648,369</u>

The accompanying notes are an integral part of this statement.

Town of Amite City

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2004

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>LCDBG Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash	\$ 54,717	\$ 3,105	\$ 65	\$171,091	\$228,978
Receivables, Net	78,587	51,204	-	27,767	157,558
Due from other funds-					
General Fund	-	-	-	751	751
Sales Tax Fund	3,058	-	-	6,748	9,806
Waterworks Fund	-	-	-	843	843
Grant receivable	-	-	<u>42,352</u>	-	<u>42,352</u>
Total Assets	<u>\$136,362</u>	<u>\$54,309</u>	<u>\$42,417</u>	<u>\$207,200</u>	<u>\$440,288</u>
<u>Liabilities</u>					
Accounts Payable	\$ 38,544	\$ -	\$ -	\$ -	\$ 38,544
Due to other funds -					
Due to Arts Council	751	-	-	-	751
Due to Economic Development Fund	-	6,748	-	-	6,748
Due to General Fund	-	3,058	-	-	3,058
Due to Waterworks	1,657	-	200	-	1,857
Due to Others	315	-	-	-	315
Retainage Payable	-	-	<u>42,352</u>	-	<u>42,352</u>
Total Liabilities	<u>41,267</u>	<u>9,806</u>	<u>42,552</u>	<u>-</u>	<u>93,625</u>
<u>Fund Balance</u>					
Unreserved, Undesignated	<u>95,095</u>	<u>44,503</u>	<u>(135)</u>	<u>207,200</u>	<u>346,663</u>
Total Liabilities and Fund Balance	<u>\$136,362</u>	<u>\$54,309</u>	<u>\$42,417</u>	<u>\$207,200</u>	<u>\$440,288</u>

The accompanying notes are an integral part of this statement.

TOWN OF AMITE CITY

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

Fund balances - total governmental funds	\$ 346,663
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,376,652
In the statement of activities, only the gain on the disposed assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets disposed of.	(4,333)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(50,250)</u>
Net assets of governmental activities	<u>\$1,668,732</u>

The accompanying notes are an integral part of this statement.

Town of Amite City

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

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>LCDBG Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Taxes	\$ 230,194	\$1,514,907	\$ -	\$ -	\$ 1,745,101
Licenses and permits	233,855	-	-	-	233,855
Intergovernmental	106,929	-	496,233	34,000	637,162
Fines and forfeitures	14,037	-	-	-	14,037
Sanitation service fees	267,311	-	-	-	267,311
Prisoner housing fees	16,068	-	-	-	16,068
Rentals & recreational	12,323	-	-	-	12,323
Miscellaneous	56,214	110	-	7,032	63,356
Total Revenues	<u>936,931</u>	<u>1,515,017</u>	<u>496,233</u>	<u>41,032</u>	<u>2,989,213</u>
<u>Expenditures</u>					
General government	844,929	9,847	70	\$ -	\$ 854,846
Public safety	618,003	85,500	-	-	703,503
Streets	471,941	-	-	-	471,941
Sanitation	110,178	-	-	-	110,178
Cemetery	62,902	-	-	-	62,902
Culture and recreation	60,070	-	-	-	60,070
Economic development	-	-	-	12,080	12,080
Intergovernmental	8,936	-	-	-	8,936
Art development	-	-	-	786	786
Miscellaneous	15,303	-	-	-	15,303
Construction in progress	-	-	496,233	-	496,233
Total Expenditures	<u>2,192,262</u>	<u>95,347</u>	<u>496,303</u>	<u>12,866</u>	<u>2,796,778</u>
Excess (deficiency) of revenues over expenditures	<u>(1,255,331)</u>	<u>1,419,670</u>	<u>(70)</u>	<u>28,166</u>	<u>192,435</u>
<u>Other Financing Sources (Uses)</u>					
Operating transfers in	1,408,952	-	-	53,651	1,462,603
Operating transfers out	(11,514)	(1,426,825)	-	(349,184)	(1,787,523)
Sale of capital assets	9,956	-	-	-	9,956
Proceeds from capital leases	2,559	-	-	-	2,559
Total other financing sources (uses)	<u>1,409,953</u>	<u>(1,426,825)</u>	<u>-</u>	<u>(295,533)</u>	<u>(312,405)</u>
Net change in Fund Balances	154,622	(7,155)	(70)	(267,367)	(119,970)
Fund balance (deficits), beginning of year	<u>(59,527)</u>	<u>51,658</u>	<u>(65)</u>	<u>474,567</u>	<u>466,633</u>
Fund balance (deficits), end of year	<u>\$ 95,095</u>	<u>\$ 44,503</u>	<u>\$ (135)</u>	<u>\$207,200</u>	<u>\$ 346,663</u>

The accompanying notes are an integral part of this statement.

TOWN OF AMITE CITY

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	\$(119,970)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	441,098
In the statement of activities, only the gain on the disposed assets is reported, whereas in the governmental funds, the proceeds from the disposition increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment disposed of.	(4,333)
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	(2,121)
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.	<u>(3,606)</u>
Change in net assets of governmental activities	<u>\$ 311,068</u>

The accompanying notes are an integral part of this statement.

Town of Amite City

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2004

Assets

Current Assets

Cash	\$ 107,335
Accounts receivable, net	55,727
Due from other funds	<u>1,857</u>
Total Current Assets	<u>164,919</u>

Restricted Assets

Cash and cash equivalents:	
Customer deposits	<u>69,033</u>

Non-current Assets

Capital assets (net of accumulated depreciation)	<u>3,201,737</u>
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Total Assets	<u>3,435,689</u>
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Liabilities

Current Liabilities (payable from current assets)

Accounts payable	23,936
Compensated absences payable	6,165
Lease payable	2,122
Retainage payable	23,748
Other accrued payables	205
Due to other funds	<u>843</u>
Total Current Liabilities (payable from current assets)	<u>57,019</u>

Current Liabilities (payable from restricted assets)

Customer deposits	69,033
Revenue bonds payable	<u>45,000</u>
Total Current Liabilities (payable from restricted assets)	<u>114,033</u>

Non-current Liabilities

Revenue bonds payable	<u>1,285,000</u>
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Total Liabilities	<u>1,456,052</u>
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Net Assets

Invested in capital assets, net of related debt	1,869,615
Unrestricted	<u>110,022</u>

Total Net Assets	<u>\$1,979,637</u>
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The accompanying notes are an integral part of this statement.

Town of Amite City

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

	<u>Business-type Activity Waterworks and Sewer Fund</u>
<u>Operating Revenues</u>	
Charges for services -	
Water sales	\$ 216,801
Sewer charges	287,394
Delinquent charges	11,354
Connection charges	<u>15,935</u>
Total operating revenues	<u>531,484</u>
<u>Operating Expenses</u>	
Salaries	119,292
Payroll taxes	9,267
Electricity -	
Water pumps	37,393
Sewerage plant	93,029
Repairs/Supplies -	
Water system	25,339
Sewerage system	66,340
Treatment plant expense	7,118
Truck Expense	12,382
Office Expense	10,923
Dues	6,782
Sewerage testing	9,271
Professional fees	10,000
Other	6,024
Depreciation	<u>98,950</u>
Total operating expenses	<u>512,110</u>
Net Operating income	<u>19,374</u>
<u>Non-operating Revenues (Expenses)</u>	
Interest income	1,799
Interest expense	(47,958)
Miscellaneous revenue	1,394
Insurance proceeds	<u>4,202</u>
Total non-operating revenue (expenses)	<u>(40,563)</u>
Income (loss) before contributions and transfers	(21,189)
Transfers in	329,184
Transfers out	<u>(4,264)</u>
Change in net assets	303,731
Total Net Assets, Beginning	<u>1,675,906</u>
Total Net Assets, Ending	<u>\$1,979,637</u>

The accompanying notes are an integral part of this statement.

Town of Amite City

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

	<u>Waterworks and Sewer</u>
<u>Cash flows from operating activities:</u>	
Receipts from customers	\$ 520,287
Payments to suppliers	(245,229)
Payments to employees	(128,559)
Net cash provided by operating activities	<u>146,499</u>
<u>Cash flows from noncapital financing activities:</u>	
Transfers to other funds	(4,264)
Receipt of insurance proceeds	4,202
Other miscellaneous receipts	1,394
Net cash provided from noncapital financing activities	<u>1,332</u>
<u>Cash flows from capital and related financing activities:</u>	
Proceeds from DEQ loan	519,907
Payments for capital acquisitions	(862,161)
Transfer from Capital Improvements Fund	300,241
Transfer from Economic Development Fund	28,943
Interest paid	(47,958)
Principal repayments	(1,617)
Net cash (used) for capital and related financing activities	<u>(62,645)</u>
<u>Cash flows from investing activities:</u>	
Interest income	1,799
Net cash provided by investing activities	<u>1,799</u>
Net increase in cash and cash equivalents	86,985
Cash balance - beginning of year	<u>20,350</u>
Cash balance - end of year	<u>\$ 107,335</u>
<u>Reconciliation of operating income to net</u> <u>cash provided (used) by operating activities:</u>	
Operating income	19,374
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	98,950
Change in assets and liabilities:	
Receivables, net	(11,197)
Due from other funds	58,992
Due to other funds	(17,550)
Accounts and other payable	(2,070)
Net cash provided by operating activities	<u>\$ 146,499</u>

The accompanying notes are an integral part of this statement.

Town of Amite City

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

	<u>Agency Funds</u>		
	<u>Bond Money</u> <u>Fund</u>	<u>Prisoner Personal</u> <u>Money Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash	<u>\$1,171</u>	<u>\$2,902</u>	<u>\$4,073</u>
Total Assets	<u>\$1,171</u>	<u>\$2,902</u>	<u>\$4,073</u>
<u>Liabilities</u>			
Due to defendants	<u>\$1,171</u>	<u>\$ -</u>	<u>\$1,171</u>
Due to prisoners	<u>-</u>	<u>2,902</u>	<u>2,902</u>
Total Liabilities	<u>\$1,171</u>	<u>\$2,902</u>	<u>\$4,073</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Town of Amite City

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

INTRODUCTION

The Town of Amite City, Louisiana was first incorporated on March 7, 1861. The Town adopted the provisions of Act 136 enacted on July 29, 1898, and became governed under the Lawrason Act. The Town is governed by an elected Mayor and Councilmen.

The accounting and reporting policies of the Town of Amite City conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513 and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

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 of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the town's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the town's activities
 - 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 these notes to financial statements). The town was required to implement the general provisions of Statement No. 34 in the current year. The town is not required to retroactively report infrastructure.

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. REPORTING ENTITY AND REPORTING MODEL

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the identification of a primary government unit for financial reporting purposes. The GASB has set forth criteria to be considered in determining which governmental entities are primary governments. An entity is a primary government if it satisfies all of the following criteria:

- The entity has a separate governing body elected by the citizenry in a general, popular election.
- The entity is legally separate from other entities.
- The entity is fiscally independent of other state and local governmental entities.

Based on the above criteria the town has determined that the Town of Amite City, Louisiana, is a primary government and financial reporting entity in accordance with GASB Statement No. 14. The Town has also determined that there are no component units that should be considered part of the Town for financial reporting purposes.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual financial reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets - The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on "major" funds. Fund statements present in separate columns the General Fund, followed by major funds, with non-major funds aggregated and displayed in a separate column. The new model (GASB Statement 34) sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. In addition to the funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users may be reported as a major fund.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND
FINANCIAL STATEMENT PRESENTATION**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

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

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

The town reports the following major governmental funds:

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

Special Revenue Fund:

The Sales Tax Fund accounts for the receipt and use of proceeds of the Town's 2% sales and use tax. The Town Council has dedicated a portion of collections of the sales and use tax, see Note 18 to these financial statements for details.

Capital Project Fund:

The LCDBG Fund accounts for the \$600,000 Louisiana Community Development Block grant for the construction of a new water tower.

Proprietary Fund:

Enterprise fund - - account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town maintains one enterprise fund, the Waterworks and Sewer Fund, which provides water and sewer services.

Additionally, the town reports the following fund type:

Fiduciary Funds:

The Bond Money Agency Fund accounts for bond money held by the town on behalf of the defendant's prior to Mayor's court.

The Prisoner Personal Money Agency Fund accounts for the personal money of prisoners being held by the town during their incarceration. The funds are returned upon the prisoner's release.

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

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user fees. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. BUDGETS

Formal budgetary accounting is employed as a management control for all governmental funds of the Town. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and Special Revenue Funds, and the same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principles basis. Budgets are prepared and adopted in accordance with the Louisiana Local Government Budget Act. Budgetary control is exercised at the fund level for each fund.

All budget appropriations lapse at the end of each fiscal year.

The budgets of the General Fund, Economic Development Fund, and Capital Improvements Fund were amended twice during the fiscal year with the final amendment taking place on June 14, 2004.

The budgets of the Sales Tax Fund and the Arts Council Fund were amended once during the fiscal year with the final amendment taking place on March 22, 2004.

E. ENCUMBRANCES

The Town does not use encumbrance accounting.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

**F. CASH AND CASH EQUIVALENTS
AND INVESTMENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

G. RECEIVABLES

Receivables are shown net of an allowance for uncollectibles. Uncollectible amounts due for water and sewer charges are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivables. Uncollectible amounts for property taxes and garbage charges are recorded as a reduction of current revenues.

H. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

I. RESTRICTED ASSETS

Restricted assets consist of cash resources of the enterprise fund set aside for repayment of customer deposits. See Note (17) in regards to the revenue bond covenants that require the Town to set aside cash resources. During the fiscal year, the Town did not set aside any cash resources in accordance with the revenue bond covenants.

J. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The town maintains a threshold level of \$500 or more for capitalizing capital assets.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed. As a Phase III government under GASB Statement No. 34, the Town elects not to retroactively report infrastructure assets prior to June 30, 2003.

All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Governmental activities -	
Buildings and building improvements	20 - 40 Years
Furniture and fixtures	5 - 10 Years
Vehicles	5 Years
Equipment	5 - 15 Years
Water and Sewer Utility -	
Wells	25 Years
Storage tanks	40 Years
Lines and meters	40 Years
Sewerage system	40 Years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

K. COMPENSATED ABSENCES

The Town has the following policy regarding annual and sick leave.

The earning of such leave shall be based on the equivalent of years of full-time service with the town and for an employee having an administration work week of five days shall be creditable at the end of each month in accordance with, or proportionate to, the following:

- a. Less than one year of service, at the rate of 3.33 hours of annual leave and 4 hours of sick leave per month.
- b. One year but less than ten years of service, at the rate of 6.67 hours of annual leave and 8 hours of sick leave per month.
- c. Ten years or more of service, at the rate of 10 hours annual leave and 8 hours of sick leave per month.

Accrued unused annual leave earned by an employee shall be carried forward to the succeeding fiscal year but not in excess of 240 hours. Accrued unused sick leave earned by an employee shall be carried forward to the succeeding fiscal year without limitation.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

Upon termination, all unused annual leave accrued by an employee shall be paid to the terminating employee not to exceed 240 hours. Employees with less than one year of full-time employment are not considered vested for annual leave purposes and any annual leave accrued upon termination shall be canceled.

Employees who resign or who are dismissed from employment shall not be paid for any accrued sick leave and all such leave shall be canceled.

Employees who retire at or after age 60 with at least 10 years of creditable full-time employment or at or after age 55 with at least 30 years of creditable full-time employment are entitled (as an employment benefit) to be paid for unused sick leave computed as follows:

For each year of creditable employment, an employee will be paid at date of retirement unused accrued sick leave at an amount equal to 1.67 percent for each year of creditable employment not to exceed 50 percent of the retiring employee's unused sick leave at date of retirement.

The Town maintains its sick leave records in units of hours (or days). The amount to be paid shall be the percent determined in the preceding paragraph multiplied by the unused sick leave hours at the employee's final-average hourly salary. Final-average hourly salary is the employee's average salary over the last 36 consecutive months at date of retirement. Retirement for this purpose shall be the same as defined by the Municipal Employees' Retirement System of Louisiana.

The cost of current leave privileges, computed in accordance with GASB Statement No. 16, is recognized as a current-year expenditure in the governmental funds when leave is actually taken. The cost of leave privileges not requiring current resources is recorded as a liability in the General Fund. Leave privileges associated with employees of the proprietary fund are recorded as a fund liability and operating expense. The current and noncurrent portions are recorded in the government-wide financial statements.

No liability is reported for unpaid accumulated sick leave.

L. LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types recognize both premiums and discounts, if any, as well as bond issuance costs, if any, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances, if any, are reported as other financing sources while discounts on debt issuances, if any, are reported as other financing uses.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

M. FUND EQUITY

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

N. ESTIMATES

The preparation of financial statements in conformance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the recorded amount of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

O. INTERFUND TRANSACTIONS

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. For the purpose of the statement of activities, all interfund transfers between funds have been eliminated.

P. AD VALOREM TAXES

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

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tangipahoa Parish.

Q. SALES TAXES

The Town assesses a 2% sales and use tax. The Mayor and Board of Aldermen have dedicated a portion of the sales and use tax, see Note 18 to these financial statements for details.

(2) **FUND DEFICITS**

The Capital Projects fund had a deficit fund balance at June 30, 2004, of \$135.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

(3) REVENUES AND EXPENDITURES - ACTUAL AND BUDGET

The following individual funds had either actual revenues and other sources fail to meet budgeted revenues and other sources or actual expenditures and other uses over budgeted expenditures and other uses for the year ended June 30, 2004:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>	<u>Percent</u>
Revenues:				
Small Business Loan Program Fund	\$99,990	\$35,732	\$64,258	64.26%
Capital Improvements Fund	2,800	2,404	396	14.14%
Expenditures:				
Economic Development Fund	\$31,655	\$60,598	\$28,943	91.43%

The Louisiana Municipal Budget Law requires a local government to amend its operating budget when the total revenue and other sources fail to meet total budgeted revenues and other sources by 5% or more. Also, amendment is required when total actual expenditures and other uses exceed the total budgeted expenditures and other uses by 5% or more. The Town failed to amend the budgets by an adequate amount for the small business loan program fund, capital improvements fund and economic development fund for the fiscal year ended June 30, 2004.

The excess expenditures of the economic development fund was funded by available fund balance.

(4) CASH AND CASH EQUIVALENTS

At June 30, 2004, the Town had cash and cash equivalents (book balances) totaling \$409,419 (including \$4,073 in the fiduciary funds) as follows:

Petty cash	\$ 200
Interest-bearing demand deposits	354,993
Time deposits	<u>54,226</u>
Total	<u>\$409,419</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. However, for the first eleven months of the current fiscal year the fiscal agent failed to pledge any securities to secure the Town's bank balances. The average amount of under collateralization was \$435,589.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

At June 30, 2004, the Town has \$584,718 in deposits (collected bank balances). These deposits are secured from risk by \$154,226 of federal deposit insurance and \$500,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

(5) RECEIVABLES

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

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

Receivables at June 30, 2004, consist of the following:

<u>Class of Receivables</u>	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Taxes -				
Franchise	\$28,839	\$ -	\$ -	\$ 28,839
Sales	-	51,204	-	51,204
Accounts -				
Prisoner housing fees	3,182	-	-	3,182
Garbage	27,122	-	-	27,122
Water and Sewer	-	-	50,998	50,998
Less: Allowance for Uncollectibles	(3,000)	-	(6,000)	(9,000)
Other	15,140	-	10,729	25,869
Note - Small Business Loan	-	27,767	-	27,767
Intergovernmental -				
Beer taxes	5,200	-	-	5,200
Dept. of Motor Vehicles	2,016	-	-	2,016
Fire District No. 1	88	-	-	88
Totals	<u>\$78,587</u>	<u>\$78,971</u>	<u>\$55,727</u>	<u>\$213,285</u>

An allowance account for taxes receivable is not considered necessary.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

(6) AD VALOREM TAXES

For the year ended June 30, 2004, taxes of 5.67 mills were levied on property with assessed valuations totaling \$16,985,132. Total taxes levied were \$96,306. Taxes receivable at June 30, 2004, were nil.

(7) RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30:	<u>2004</u>	<u>2003</u>
Customers' deposits - cash	<u>\$69,033</u>	<u>\$67,607</u>

(8) CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/04</u>
Governmental Activities:				
Capital assets not depreciated:				
Land and land improvements	<u>\$ 260,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,229</u>
Other capital assets:				
Buildings	747,758	-	-	747,758
Improvements	376,352	2,615	-	378,967
Vehicles	183,940	-	24,496	159,444
Office Equipment	32,969*	3,890	-	36,859
Furniture & Fixtures	19,117	-	-	19,117
Machinery & Equipment	<u>442,765</u>	<u>2,434</u>	<u>-</u>	<u>445,199</u>
Total other capital assets	<u>1,802,901</u>	<u>8,939</u>	<u>24,496</u>	<u>1,787,344</u>
Less: Accumulated depreciation:				
Buildings	405,887	15,276	-	421,163
Improvements	326,588	3,094	-	329,682
Vehicles	135,684	18,259	20,163	133,780
Office Equipment	30,069	1,376	-	31,445
Furniture & Fixtures	14,683	738	-	15,421
Machinery & Equipment	<u>253,833</u>	<u>25,351</u>	<u>-</u>	<u>279,184</u>
Total accumulated depreciation	<u>1,166,744</u>	<u>64,094</u>	<u>20,163</u>	<u>1,210,675</u>
Other capital assets, net	<u>636,157</u>	<u>(55,155)</u>	<u>4,333</u>	<u>576,669</u>
Total governmental activities capital assets, net	<u>\$ 896,386</u>	<u>\$(55,155)</u>	<u>\$ 4,333</u>	<u>\$ 836,898</u>

* Office equipment has been restated at July 1, 2003, to reflect a decrease of \$3,591 as a result of the change in capitalization threshold limits.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

Depreciation was charged to governmental functions as follows:

General government	\$10,875
Public safety	20,863
Streets	7,846
Sanitation	10,006
Culture and recreation	14,504
Total	<u>\$64,094</u>

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

Business-type activity:	<u>Balance</u> <u>06/30/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/04</u>
Land - water	\$ 36,392	\$ -	\$ -	\$ 36,392
Land - sewer	25,957	-	-	25,957
Wells	119,000	-	-	119,000
Storage tanks	211,899	-	-	211,899
Water lines and meters	538,720	215,662	-	754,382
Sewerage system	2,431,104	616,481	-	3,047,585
Equipment	<u>88,644</u>	<u>2,559</u>	-	<u>91,203</u>
	3,451,716	834,702	-	4,286,418
Less: Accumulated depreciation:				
Plant and equipment	<u>985,731</u>	<u>98,950</u>	-	<u>1,084,681</u>
Total business-type activity capital assets, net	<u>\$2,465,985</u>	<u>\$735,752</u>	<u>\$ -</u>	<u>\$3,201,737</u>

Depreciation was charged to the business-type activity as follows:

Waterworks and Sewer Fund	<u>\$98,950</u>
Total	<u>\$98,950</u>

(9) DEFERRED CONTRIBUTION

The \$496,233 deferred contribution reported on the statement of net assets represents the construction in progress paid by the LCDBG Capital Projects Fund to construct a new water tower. Upon completion, the capital projects fund will donate the water tower to the Waterworks and Sewer Fund.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

(10) **PENSION PLAN**

Some of the police department employees of the Town of Amite City are members of the Municipal Police Employees' Retirement System of Louisiana (System). This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Municipal Police Employees' Retirement System of Louisiana

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

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

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Amite City is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the Town of Amite City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Amite City contributions to the System for the years ending June 30, 2004, 2003, and 2002, were \$30,445, \$16,320, and \$13,065, respectively, equal to the required contributions for each year.

(11) **DEFERRED COMPENSATION PLAN**

The Town of Amite offers all town employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plan are held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Town of Amite City's financial statements.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

(12) **RETIREMENT SYSTEM**

Employees of the Town are members of the social security system. In addition to employee payroll deductions, Town funds are remitted to match the employee contributions. Aggregate contributions to the social security system for the year ended June 30, 2004, were \$131,886 of which \$65,943 was contributed by the Town.

(13) **COMPENSATED ABSENCES**

At June 30, 2004, employees of the town have accumulated and vested \$54,294 of employee leave benefits which was computed in accordance with GASB Codification Section C60. Of this amount, \$48,129 is recorded as an obligation of the General Fund. The leave liability for employees of the Enterprise Fund of \$6,165 is accounted for within the fund.

(14) **LEASES**

The town records items under capital leases as assets and obligations in the accompanying financial statements. The town has one capital lease. This lease has an original recorded asset amount of \$5,119. The General Fund and Waterworks and Sewer Fund share equally in the retirement of this obligation.

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

<u>Fiscal Year</u>	<u>Total</u>
06-30-05	\$2,004
06-30-06	2,004
06-30-07	<u>835</u>
Future minimum lease payments	4,843
Less: Amount representing interest	<u>(600)</u>
Present value of net minimum lease payments	<u>\$4,243</u>

Town of Amite City

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

(15) **LONG-TERM DEBT**

A. SUMMARY OF CHANGES IN LONG-TERM DEBT

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

	Balance 07/01/03	Additions	Reductions	Balance 06/30/04	Due Within One Year
<u>Governmental Activities:</u>					
Capital lease obligations	\$ 1,178	\$ 2,559	\$1,616	\$ 2,121	\$ 811
Compensated absences	<u>44,523</u>	<u>3,606</u>	<u>-</u>	<u>48,129</u>	<u>5,011</u>
Total government activities	<u>\$ 45,701</u>	<u>\$ 6,165</u>	<u>\$1,616</u>	<u>\$ 50,250</u>	<u>\$ 5,822</u>
<u>Business-type Activities:</u>					
Capital lease obligations	\$ -	\$ 2,559	\$ 437	\$ 2,122	\$ 812
Revenue bonds payable	<u>810,092</u>	<u>519,908</u>	<u>-</u>	<u>1,330,000</u>	<u>45,000</u>
Total business-type activities	<u>\$810,092</u>	<u>\$522,467</u>	<u>\$ 437</u>	<u>\$1,332,122</u>	<u>\$45,812</u>

B. BONDS

Revenue bonds payable are comprised of the following issue:

\$1,330,000 Utilities Revenue Bonds, Series 2002, dated January 10, 2003

Due in annual installments of \$45,000 to \$94,000 through January 1, 2024;
 interest at 3.45% payable semi-annually January 1 and July 1 each year.

\$1,330,000

C. DEBT SERVICE REQUIREMENTS TO MATURITY

The annual requirements to amortize all Revenue Bonds debt outstanding as of June 30, 2004, including interest, are as follows:

Revenue Bonds Payable

Year Ending June 30 th	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 45,000	\$ 22,942	\$ 67,942
2006	47,000	44,332	91,332
2007	49,000	42,710	91,710
2008	50,000	41,020	91,020
2009	52,000	39,296	91,296
2010-2014	296,000	167,842	463,842
2015-2019	357,000	112,746	469,746
2020-2024	<u>434,000</u>	<u>46,126</u>	<u>480,126</u>
	<u>\$1,330,000</u>	<u>\$517,014</u>	<u>\$1,847,014</u>

The town has agreed to pay an annual DEQ administrative fee at a rate of .5% of the outstanding principal.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

(16) **DEDICATION OF PROCEED AND FLOW OF FUNDS - UTILITIES REVENUE**

The town through its governing authority adopted an ordinance on December 16, 2001, authorizing the issuance of Utilities Revenue Bonds, Series 2002, in the amount of \$1,330,000 to pay for the cost of constructing and acquiring improvements and renovations to the sewerage system of the town. The ordinance also authorized the execution of a Loan and Pledge Agreement with the Louisiana Department of Environmental Quality providing for the sale and delivery of said bonds to the Department of Environmental Quality; prescribing the form, fixing the details, and providing for the payment of principal and interest on such bonds, entering into certain covenants and agreements in connection with the security and payment of said bonds. In that ordinance and the Loan and Pledge Agreement, the income and revenues of the combined sewerage system and waterworks system are irrevocably pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes. In that ordinance and the Loan and Pledge Agreement, certain funds were required to be established to account for the receipt and disbursement of System revenues: An analysis of these accounts is provided as follows:

Revenue Fund - The bond ordinance and the Loan and Pledge Agreement require that all revenues of the system shall be deposited daily in a separately identifiable account to be established with the town's fiscal agent bank and designated as the "Revenue Fund". The revenues deposited into the Revenue Fund shall be expended in the following priority:

- 1.) Pay all reasonable and necessary expenses of operating and maintaining the Sewerage System
- 2.) Establish and fund a Sinking Fund as follows:

Moneys from the Revenue Fund shall be deposited into the Sinking Fund in amounts sufficient to pay promptly and fully the principal of and interest on the Borrower Bonds and any Parity Obligations issued or hereafter as they severally become due and payable.

Moneys from the Revenue Fund shall be transferred into the Sinking Fund monthly in advance on or before the twentieth (20th) day of each month of each year in an amount equal to the principal, interest, and administrative fee accruing with respect to the Borrower Bonds for such calendar month, together with such additional proportionate sum as may be required to pay such principal, interest, and administrative fee as the same respectively become due.

Money in the Sinking Fund shall be deposited as trust funds and shall be used solely and are hereby expressly exclusively pledged for the purpose of paying principal of, interest on, and administrative fee, if any, with respect to the Borrower Bonds and any Parity Obligations. The borrower shall require its fiscal agent bank to transfer from the Sinking Fund to the paying agent (as defined in the Authorizing Ordinance) and any other paying agent bank or bank for any Parity Obligations payable from the Sinking Fund at least three (3) days in advance of each Interest payment date and principal payment date, funds fully sufficient to pay promptly the principal and interest falling due on such dates.

The town did not comply with this covenant for the fiscal year ended June 30, 2004. This account was established in September 2004.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

3.) *Establish and fund a Reserve Fund as follows:*

From the Revenue Fund, there shall be transferred monthly in advance on or before the twentieth (20th) day of each month of each year, to a separately identifiable account to be established with the town's fiscal agent bank and designated as the "Reserve Fund" a sum at least equal to 25% of the amount required to be paid into the Sinking Fund for such month until such fund accumulated an amount equal to the highest combined debt service in any future bond year (\$97,243 through 2024).

Money in the Reserve Fund is to be retained solely for the purpose of payment of the principal of and interest on all obligations payable from the Sinking Fund for which sufficient funds are not on deposit in the Sinking Fund.

At June 30, 2004, the balance in the Reserve Fund should have totaled \$11,361; however, this account had a zero balance.

4.) *Establish and fund a Renewal and Replacement Fund as follows:*

There is to be established and maintained with a Fiscal Agent Bank pursuant to the Authorizing Ordinance a separately identifiable fund or account designated as the Renewal and Replacement Fund. There shall be transferred to the Renewal and Replacement Fund, on or before the twentieth (20th) day of each month of each year, an amount equal to five percent (5%) of the Net Revenues of the System collected in the prior calendar month; provided, however, that no payment need be made into the Renewal and Replacement Fund at any time if the balance in such Fund equals or exceeds an amount equal to \$125,000. All moneys in the Renewal and Replacement Fund may be drawn on and used by the Borrower for the purpose of paying the costs of any unusual and extraordinary maintenance and any repairs, replacements, extensions, and improvements to the System which will either enhance its revenue producing capacity or provide a higher degree of service.

Money accumulated in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payment in the Sinking Fund or the Reserve Fund.

At June 30, 2004, the balance in the Renewal and Replacement Fund should have totaled \$2,990; however, this account had a zero balance.

(17) **COMPLIANCE WITH UTILITIES REVENUE BONDS COVENANTS**

The town through its governing authority adopted an ordinance on December 16, 2001, authorizing the Utilities Revenue Bonds, Series 2002, in the amount of \$1,330,000 to pay for the cost of constructing and acquiring improvements and renovations to the sewerage system of the town and authorized the execution of a Loan and Pledge Agreement with the Louisiana Department of Environmental Quality. That bond ordinance and agreement contained certain covenants and agreements in connection with the security and payment of the bonds. The major covenants contained in the bond resolution and agreement and the manner in which the town has complied with these covenants is described as follows:

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

Rate Covenant - In the bond ordinance and agreement, the town obligated itself to fix, establish, maintain, and collect such rates, fees, rents, and other charges of the services and facilities of the System and to revise rates whenever necessary to provide revenues in each fiscal year sufficient to:

- a. pay the reasonable and necessary expenses of operating and maintaining the System in such fiscal year as are not paid from other lawfully available sources including, without limitation, the proceeds of the Borrower's 2% sales and use taxes now being levied pursuant to an election held on November 18, 1981;
- b. provide net revenues in an amount equal to 1.25% of the required deposits to the Sinking Fund and administrative fee for such fiscal year;
- c. make all other payments required for such fiscal year hereby and by the authorizing Ordinance, and any resolution or ordinance issuing parity obligations; and
- d. pay all other obligations or indebtedness payable out of the revenues for such fiscal year. Such rates, fees, rents, and other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for aforesaid purposes. To the extent that revenues from other lawfully available sources are used to pay the reasonable and necessary expenses of operating and maintaining the System, then such rates, fees, rents, and other charges may be correspondingly reduced.

For the fiscal year ended June 30, 2004, operating receipts for the system totaled \$532,767. For the same period, operating disbursements, including required deposits into the various debt service funds, totaled \$460,670. The town was in compliance with items a. and b. of the above rate covenant for the year ended June 30, 2004.

The town failed to make any of the required payments to the Renewal and Replacement Fund.

In connection with the rate covenant, the bond ordinance also contains specific procedures with regards to delinquent utility customers. The town agreed that the failure of any person to pay the charges for any service rendered by the System within fifteen (15) days of the date on which it is due shall cause such charge to become delinquent; that if such delinquent charge, with interest and penalties accrued thereon, is not paid within thirty (30) days from the date on which it became delinquent, the town will shut off water and sewer services to the affected premises.

The delinquent charge will be ten percent (10%) of the amount of the charge, and the amount so due, including the penalty charge, shall, after ten (10) days from the date of delinquency, bear interest at a reasonable rate of at least six percent (6%) per annum.

If a delinquent customer has had their service discontinued, the customer shall pay the delinquent charge, penalty, interest, and a reasonable re-connection charge in order to resume service.

At June 30, 2004, the town was in non-compliance with the delinquent utility customers section of the bond ordinance. The town was not adhering to the thirty (30) day cut-off. At June 30, 2004, there were approximately 440 accounts that were 30 days past due. The town is using a sixty (60) day cutoff but not even enforcing the sixty (60) day policy.

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

The bond ordinance states that the delinquent charge will be 10 percent (10%) of the charge for water and sewer service. The town charges a flat rate of \$4.00 to all customers. In regards to the residential customers this amount is sufficient; however for commercial customers the \$4.00 rate does not satisfy the 10% penalty requirement.

The town does not charge interest at 6% per annum on delinquent accounts. However, this is because the town's past and present computerized billing system does not provide for the calculation of interest.

The town is collecting partial payments on delinquent accounts and restoring service. The ordinance states that the town will collect all delinquent amounts, penalties, interest, and a reasonable re-connection fee before service will be resumed.

Annual Review of Users Fees- In the Loan and Pledge Agreement, the town is required to review at least annually the adequacy of its user fees to satisfy the requirements of the rate covenant.

At June 30, 2004, a review of the town's user fees had been performed.

Records, Accounts, and Audit Requirements- The bond ordinance and loan agreement requires the town to maintain and keep accurate records and accounts for the System separate and distinct from its other records and accounts. These System records shall be maintained in accordance with generally accepted accounting standards and shall be audited annually by an independent certified public accountant.

As of June 30, 2004, the town was in compliance with this covenant as the town was under contract with a certified public accountant for an audit of its records for the year ended June 30, 2004.

Insurance and Fidelity Bonds- The bond ordinance requires the town to carry full coverage of insurance on the System while the loan agreement requires the town to maintain insurance policies that will provide against the risk of direct physical loss, damage, or destruction of the System including liability coverage. In addition, per the bond ordinance the town is required to obtain fidelity bonds on all its officers and employees in a position of authority or in possession of money derived from the operation of the System. The amount of coverage should be adequate enough to protect the town from loss.

At June 30, 2004, the town was in non-compliance with these covenants. The town did not and presently does not have physical damage insurance on the System. The fidelity bonds on the city clerk, assistant city clerk, water clerk, and assistant to the mayor are in the amount of \$1,000 each. This amount seems insufficient to protect the town from loss.

Other Covenants- The loan agreement requires the town to establish a user charge to assure that each recipient of wastewater treatment services from the System will pay such recipient's proportionate share of the costs of operation and maintenance, including any necessary replacements of components of the Sewerage System.

At June 30, 2004, the town is in non-compliance with this requirement. The present sewer user fees are not sufficient to cover the costs of operation and maintenance of the Sewerage System including the required deposits into the various debt service funds.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2003

(18) **DEDICATION OF PROCEEDS AND FLOW OF FUNDS - SALES AND USE TAX**

A portion of the proceeds of a 2% sales and use tax levied by the Town (2003 collections \$1,524,793; 2004 \$1,505,060) are dedicated as follows:

1. Provide funds for an economic development fund to be used at the discretion of the Mayor and Board of Aldermen. This funding totals 2.5% of sales and use tax collections.

The dedication is based on an ordinance adopted July 1, 2003.

2. The Town Council has dedicated \$85,500 of sales and use tax collections to the Tangipahoa Parish Fire Protection District No. 1 for this fiscal year only.

This dedication is based on the budget ordinance adopted March 22, 2004.

3. The proceeds of the 2% sales and use tax are also pledged toward the operating expenses of the Waterworks and Sewer System in connection with the issuance of Utilities Revenue Bonds, Series 2002.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted dedications shall be regarded as surplus and may be used for any lawful corporate purpose.

The Town's sales and use taxes are collected by the Central Collection Commission (CCC) of Tangipahoa Parish. For these services, the Town of Amite City pays CCC a monthly charge of .65 percent of amounts collected plus expenses.

(19) **CAPITAL PROJECTS FUND**

On October 22, 2001, the Town was awarded a \$600,000 Louisiana Community Development Block Grant (LCDBG) grant for the construction of a new water tower. This fund is used to account for the cost of construction. This project was completed November 30, 2004.

The original site selected for the new water tower was located by the Amite Community Center. On June 4, 2002, the Mayor informed the council of a soil contamination problem and the need to select an alternate site.

The costs of the contamination clean up, capping of the old well, and acquiring the land for the alternate site will not be covered by the LCDBG grant.

The Town located and purchased land for the alternate site. However, it was later determined that the first alternate site was unsuitable for a water tower and a second alternate site needed to be located. Once the second alternate site was located, the Town entered into an agreement to exchange the first alternate site for the second.

As of June 30, 2004, the soil contamination clean up and capping of the old well have not begun.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2003

For this project, the Mayor has appointed Pris Gallagher as the authorized project representative. The authorized project representative has the authority to transmit instructions, receive information, and render decisions relative to the project on behalf of the Town.

(20) CHANGES IN AGENCY FUNDS

A summary of changes in assets and liabilities follows:

	<u>Balances at June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances at June 30, 2004</u>
Assets:				
Bond & Prisoner Funds				
Cash	<u>\$6,392</u>	<u>\$ -</u>	<u>\$(2,319)</u>	<u>\$4,073</u>
Total Assets	<u>\$6,392</u>	<u>\$ -</u>	<u>\$(2,319)</u>	<u>\$4,073</u>
Liabilities:				
Due to General Fund	<u>\$ 681</u>	<u>\$ -</u>	<u>\$ (681)</u>	<u>\$ -</u>
Due to Others	<u>5,711</u>	<u>-</u>	<u>(1,638)</u>	<u>4,073</u>
Total Liabilities	<u>\$6,392</u>	<u>\$ -</u>	<u>\$(2,319)</u>	<u>\$4,073</u>

(21) INTERFUND RECEIVABLES, PAYABLES

Amounts due to or from other funds at June 30, 2004, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	<u>\$ 3,058</u>	<u>\$ 2,408</u>
Special Revenue Funds -		
Arts Council Fund	<u>751</u>	<u>-</u>
Economic Development Fund	<u>7,591</u>	<u>-</u>
Sales Tax Fund	<u>-</u>	<u>9,806</u>
Capital Projects Fund -	<u>-</u>	<u>200</u>
Enterprise Fund -		
Water and Sewer Fund	<u>1,857</u>	<u>843</u>
Total	<u>\$13,257</u>	<u>\$13,257</u>

Town of Amite City

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

(22) LITIGATION AND CLAIMS

The following legal actions are currently pending against the Town of Amite City:

1. Suit # 9700942, Amite Central Railroad Properties, L.L.C. vs. Town of Amite, cumulated with Town of Amite City vs. Amite Central Properties, L.L.C. **Judgement has been rendered in this matter against the Town of Amite in the amount of \$144,622.86 together with court costs and legal interest.** This matter is currently on appeal. The Town is being represented by City Attorney, Charles M. Reid.
2. Suit # 9802217, cumulated with #9900697 Robert Weldon Russell et al vs. Town of Amite City and the Amite City Historical District. A judgement has been rendered against the Town of Amite City but it is a non-monetary judgement.
3. Suit # 2002-003772 Herman Carrier, et al vs. City of Amite, et al. This is a Petition for Damages arising out of an accident at the Fleet Easley Memorial Park. The Town is being represented by its insurer, Risk Management.
4. Suit #01-3381 K (2) in the Eastern District of United States District Court, Amite Central Railroad Properties, et al vs. Town of Amite City. This is a suit filed in Federal court for damages arising from claims of federal civil rights and Fifth Amendment violations. This case is an off shoot of the Items 1 and 2 above. The Town is being represented by its insurer in this matter.
5. Suit #03-CV-1478-C-2, Timothy Davis, et al vs. Parker Gabriel, et al, United States District Court for the Eastern District of Louisiana. This is a suit for damages in federal court. The city is represented by its insurer, Risk Management.
6. Suit #2004-00000417, Wilbert Foster vs. Town of Amite City. This is a petition for damages. The town is being represented by its insurer, Risk Management.
7. Suit #2004-00003115, Tim Oliver vs. Town of Amite City. This is a petition for damages. The town is being represented by it insurer, Risk Management.

Accrual of the loss contingencies listed above have not been recorded in the financial statements as responsibility has not been determined and/or the possible loss or range of loss for each legal action cannot be reasonably estimated.

Claims and litigation costs of \$9,491 were paid in the current year and recorded as a current-year expenditure in the General Fund.

At the old water well site located by the Community Center, there is a hazardous waste contamination issue. The investigation is not complete and the source of contamination is still unknown per a Louisiana Department of Environmental Quality official as of November 30, 2004. This official indicated that the town will have a future expense for investigation and/or clean up cost. As of the date of this report, the Town has not set aside any funds for investigation and/or clean up cost.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

(23) **COMPENSATION PAID MAYOR, CHIEF OF POLICE, AND TOWN COUNCIL**

Amounts paid to the Mayor, Chief of Police, and members of the Town Council for compensation are as follows:

R.E. Goldsby, M.D., Mayor	\$10,800
Parker Gabriel, Jr., Chief of Police	39,847
<u>Town Council</u>	
Buddy Bel	5,400
Samuel C. Hyde	5,400
Jonathon Foster	5,400
V.J. Adams	5,400
Walter Daniels	<u>5,400</u>
	<u>\$77,647</u>

(24) **ON BEHALF PAYMENTS BY STATE OF LOUISIANA**

For the year ended June 30, 2004, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's policemen. In accordance with GASB 24, the Town has recorded \$55,460 of on behalf payments as revenue and as expense in the General Fund.

(25) **RISK MANAGEMENT**

The Town of Amite City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town attempts to minimize risk from significant losses through the purchase of commercial insurance.

(26) **SMALL BUSINESS REVOLVING LOAN PROGRAM**

On March 1, 2001, the Town was authorized to receive \$99,990 in grant funds from the United States Department of Agriculture (USDA) for the purpose of starting a revolving loan fund. The Town is to lend these funds to qualified third parties to create new jobs in the community.

The Town requests the grant funds on a per loan basis. As of June 30, 2004, the Town has made two loans totaling \$54,000 leaving \$45,990 available for future loans.

During the current fiscal year, the \$20,000 loan made in the prior year was paid off. The town can now use these proceeds to make additional loans or return the money back to (USDA).

The Town has until September 30, 2006, to request and lend these funds. At this time, the account with USDA will be closed and any remaining balance (whether obligated or unobligated) in the account shall be cancelled and thereafter shall not be available for obligation or expenditure for any purpose.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

(27) **SUBSEQUENT EVENTS**

Subsequent to June 30, 2004, the following events occurred:

- The Town was awarded a \$76,800 Lake Pontchartrain Basin Grant for water line improvements.
- The Town was awarded an \$11,250 Rural Development Grant to raise two lift stations .
- The Town rolled back the millage for the 2004 property taxes to 5.26 mils from 5.67 mils.

(28) **OTHER MATTERS**

- As soon as the engineer completes the plans and specifications for the \$126,000 DOTD sidewalk grant, the Town will bid out the project.

REQUIRED SUPPLEMENTAL INFORMATION
(PART II)

Town of Amite City

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 224,000	\$ 224,000	\$ 230,194	\$ 6,194
Licenses and permits	210,900	210,900	233,855	22,955
Intergovernmental	106,500	106,500	106,929	429
Fines and forfeitures	30,000	30,000	14,037	(15,963)
Sanitation service fees	268,000	268,000	267,311	(689)
Prisoner housing fees	15,000	15,000	16,068	1,068
Rentals and recreational	11,000	11,000	12,323	1,323
Miscellaneous	<u>34,700</u>	<u>34,700</u>	<u>56,214</u>	<u>21,514</u>
Total revenues	<u>900,100</u>	<u>900,100</u>	<u>936,931</u>	<u>36,831</u>
<u>Expenditures</u>				
Current -				
General government	948,047	877,847	844,929	32,918
Public safety - police	613,475	592,355	618,003	(25,648)
Streets	512,947	470,347	471,941	(1,594)
Sanitation	126,000	116,000	110,178	5,822
Community center	15,200	13,700	13,766	(66)
Cemetery	74,700	65,700	62,902	2,798
Parks and recreation	48,000	41,000	46,304	(5,304)
Intergovernmental (DMV)	9,500	9,500	8,936	564
Miscellaneous	<u>26,479</u>	<u>24,029</u>	<u>15,303</u>	<u>8,726</u>
Total expenditures	<u>2,374,348</u>	<u>2,210,478</u>	<u>2,192,262</u>	<u>18,216</u>
Excess (deficiency) of revenues over expenditures	<u>(1,474,248)</u>	<u>(1,310,378)</u>	<u>(1,255,331)</u>	<u>55,047</u>
Other financial sources (uses):				
Transfers in	1,481,000	1,440,000	1,408,952	(31,048)
Transfers out	(12,000)	(12,000)	(11,514)	486
Sale of capital assets	1,000	1,000	9,956	8,956
Proceeds from capital leases	-	-	<u>2,559</u>	<u>2,559</u>
Total other financial sources (uses)	<u>1,470,000</u>	<u>1,429,000</u>	<u>1,409,953</u>	<u>(19,047)</u>
Net change in Fund Balance	(4,248)	118,622	154,622	36,000
Fund balance (deficit) - beginning	<u>5,856</u>	<u>(60,000)</u>	<u>(59,527)</u>	<u>473</u>
Fund balance (deficit) - ending	<u>\$ 1,608</u>	<u>\$ 58,622</u>	<u>\$ 95,095</u>	<u>\$ 36,473</u>

The accompanying notes are an integral part of this statement.

Town of Amite City
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - DETAIL
For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes -				
Ad valorem	\$ 99,000	\$ 99,000	\$ 99,122	\$ 122
Public utilities franchise	125,000	125,000	131,072	6,072
Licenses and permits -				
Occupational licenses	200,000	200,000	225,344	25,344
Chain store licenses	3,900	3,900	3,255	(645)
Permits	7,000	7,000	5,256	(1,744)
Intergovernmental -				
Beer taxes	13,000	13,000	10,700	(2,300)
Drug forfeiture	4,100	4,100	3,021	(1,079)
Parish grant - police	11,000	11,000	9,999	(1,001)
State highway maintenance	-	-	4,865	4,865
Motions money	5,000	5,000	-	(5,000)
Department of Motor Vehicles	23,000	23,000	22,884	(116)
Fines	30,000	30,000	14,037	(15,963)
Charges for services -				
Garbage fees	268,000	268,000	267,311	(689)
Prisoner housing fees	15,000	15,000	16,068	1,068
On behalf payments by state	50,400	50,400	55,460	5,060
Miscellaneous revenues -				
Cemetery - sale of lots & fees	30,000	30,000	21,773	(8,227)
Rentals	11,000	11,000	12,323	1,323
Telephone commissions	200	200	-	(200)
Interest	500	500	683	183
Miscellaneous	3,000	3,000	32,998	29,998
Accident reports	1,000	1,000	760	(240)
Total revenues	<u>\$ 900,100</u>	<u>\$ 900,100</u>	<u>\$ 936,931</u>	<u>\$ 36,831</u>

(Continued)

Town of Amite City

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
General Government				
Salaries - Mayor and Council	\$ 37,800	\$ 37,800	\$ 37,800	\$ -
Salaries - Clerical	98,047	90,047	89,910	137
Retirement contributions	17,000	16,300	22,650	(6,350)
Employee benefits	274,000	254,700	267,847	(13,147)
Payroll taxes	72,000	70,500	76,543	(6,043)
Attorney	16,000	12,000	23,010	(11,010)
Audit and accounting services	31,000	31,000	35,160	(4,160)
Insurance (all funds)	195,000	192,300	207,056	(14,756)
Office expense	15,000	15,000	16,147	(1,147)
Official journal	11,500	9,500	8,435	1,065
City Hall utilities	7,000	7,000	8,401	(1,401)
City Hall telephones	5,000	5,000	7,042	(2,042)
City Hall maintenance	10,000	1,000	-	1,000
Dues	2,700	1,700	1,781	(81)
Assessor and tax roll	2,600	2,600	2,907	(307)
Public relations	300	300	40	260
Convention expense	3,200	3,200	5,788	(2,588)
Medical expense	500	-	-	-
Miscellaneous	5,000	3,500	6,477	(2,977)
Contract services	600	600	263	337
Magistrate judge	8,400	8,400	8,400	-
Litter program	13,000	13,000	13,129	(129)
Janitorial - City Hall	2,400	2,400	3,000	(600)
Pending litigation	120,000	100,000	-	100,000
Capital outlay	-	-	2,559	(2,559)
Debt service - interest	-	-	146	(146)
Debt service - principal	-	-	438	(438)
Total General Government	<u>\$948,047</u>	<u>\$877,847</u>	<u>\$844,929</u>	<u>\$ 32,918</u>
Public Safety - Police				
Salaries	\$415,847	\$415,847	\$429,595	\$ (13,748)
On behalf payments by state	50,400	50,400	55,460	(5,060)
Retirement contributions	32,000	32,000	30,445	1,555
Auto fuel	17,000	17,000	19,415	(2,415)
Auto repairs	18,000	18,000	16,855	1,145
Uniforms	5,000	2,000	2,193	(193)
Repairs and maintenance	6,000	6,000	13,702	(7,702)
Prisoner expense	7,000	7,000	6,331	669
Office expense	17,000	17,000	17,096	(96)
Schools - conventions	3,000	3,000	186	2,814
Utilities	17,000	17,000	18,618	(1,618)
Equipment rent	1,728	1,728	1,728	-
Capital acquisitions	15,120	-	6,379	(6,379)
Police equipment/grant	4,100	1,100	-	1,100
Other grant expense	4,280	4,280	-	4,280
Total Public Safety - Police	<u>\$613,475</u>	<u>\$592,355</u>	<u>\$618,003</u>	<u>\$ (25,648)</u>

(Continued)

Town of Amite City

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Streets</u>				
Salaries	\$281,447	\$261,847	\$283,359	\$(21,512)
Street and traffic lights	54,000	54,000	70,551	(16,551)
Equipment fuel	10,000	10,000	10,801	(801)
Landfill	22,000	22,000	23,054	(1,054)
Materials and supplies	60,000	50,000	34,007	15,993
Uniforms	8,500	7,500	8,998	(1,498)
Utilities	8,000	8,000	7,635	365
Street vehicle maintenance	40,000	35,000	28,045	6,955
Drainage	10,000	7,000	4,266	2,734
Mosquito spraying	9,000	5,000	1,225	3,775
Additional funds	10,000	10,000	-	10,000
Total Streets	<u>\$512,947</u>	<u>\$470,347</u>	<u>\$471,941</u>	<u>\$ (1,594)</u>
<u>Sanitation</u>				
Salaries	\$ 31,000	\$ 31,000	\$ 26,246	\$ 4,754
Equipment repairs and supplies	40,000	30,000	21,164	8,836
Fuel	10,000	10,000	10,611	(611)
Landfill	45,000	45,000	52,157	(7,157)
Total Sanitation	<u>\$126,000</u>	<u>\$116,000</u>	<u>\$110,178</u>	<u>\$ 5,822</u>
<u>Community Center</u>				
Utilities	\$ 7,200	\$ 7,200	\$ 8,184	\$ (984)
Repairs and supplies	8,000	6,500	5,582	918
Total Community Center	<u>\$ 15,200</u>	<u>\$ 13,700</u>	<u>\$ 13,766</u>	<u>\$ (66)</u>
<u>Cemetery</u>				
Salaries	\$ 15,800	\$ 15,800	\$ 15,800	\$ -
Contract services	40,000	40,000	40,003	(3)
Materials and supplies	18,000	9,000	6,259	2,741
Utilities	900	900	840	60
Total Cemetery	<u>\$ 74,700</u>	<u>\$ 65,700</u>	<u>\$ 62,902</u>	<u>\$ 2,798</u>
<u>Parks and Recreation</u>				
Salaries	\$ 27,000	\$ 23,000	\$ 25,345	\$ (2,345)
Equipment fuel	1,200	1,200	1,984	(784)
Repairs and supplies	15,000	12,000	12,471	(471)
Utilities	4,800	4,800	6,504	(1,704)
Total Parks and Recreation	<u>\$ 48,000</u>	<u>\$ 41,000</u>	<u>\$ 46,304</u>	<u>\$ (5,304)</u>

(Continued)

Town of Amite City

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Favorable (Unfavorable)
<u>Intergovernmental (DMV)</u>				
Maintenance and utilities	\$ 9,500	\$ 9,500	\$ 8,936	\$ 564
Total Intergovernmental (DMV)	<u>\$ 9,500</u>	<u>\$ 9,500</u>	<u>\$ 8,936</u>	<u>\$ 564</u>
<u>Miscellaneous Programs</u>				
Parish service officer	\$ 684	\$ 684	\$ 684	\$ -
Coroner	7,600	7,600	6,555	1,045
Senior citizens	6,500	6,500	5,547	953
Planning and zoning	600	600	350	250
Animal shelter	8,220	7,020	-	7,020
Nongrant - Trees and Landscaping	2,675	1,425	1,925	(500)
Chamber of Commerce	200	200	242	(42)
Total Miscellaneous Programs	<u>\$26,479</u>	<u>\$24,029</u>	<u>\$15,303</u>	<u>\$ 8,726</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in:				
Sales Tax Fund	\$1,460,000	\$1,420,000	\$1,388,952	\$(31,048)
Economic Development Fund	21,000	20,000	20,000	-
Operating transfers out:				
Arts Council Fund	(12,000)	(12,000)	(11,514)	486
Sale of capital assets	1,000	1,000	9,956	8,956
Proceeds from capital lease	-	-	2,559	2,559
Total other financing sources (uses)	<u>\$1,470,000</u>	<u>\$1,429,000</u>	<u>\$1,409,953</u>	<u>\$(19,047)</u>

(Concluded)

Town of Amite City

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Sales taxes	\$1,660,000	\$1,510,000	\$1,514,907	\$ 4,907
Interest	<u>200</u>	<u>200</u>	<u>110</u>	<u>(90)</u>
Total Revenues	<u>1,660,200</u>	<u>1,510,200</u>	<u>1,515,017</u>	<u>4,817</u>
<u>Expenditures</u>				
General government -				
Collection fees	10,790	9,815	9,847	(32)
Public safety -				
Fire Protection District No. 1	<u>171,000</u>	<u>85,500</u>	<u>85,500</u>	<u>-</u>
Total Expenditures	<u>181,790</u>	<u>95,315</u>	<u>95,347</u>	<u>(32)</u>
Excess of Revenues Over Expenditures	<u>1,478,410</u>	<u>1,414,885</u>	<u>1,419,670</u>	<u>4,785</u>
<u>Other Financial (Uses)</u>				
Operating transfers (out):				
General Fund	(1,460,000)	(1,420,000)	(1,388,952)	31,048
Economic Development Fund	<u>-</u>	<u>(41,500)</u>	<u>(37,873)</u>	<u>3,627</u>
Total Other Financing (Uses)	<u>(1,460,000)</u>	<u>(1,461,500)</u>	<u>(1,426,825)</u>	<u>34,675</u>
Net change in Fund Balance	18,410	(46,615)	(7,155)	39,460
Fund balance - beginning	<u>4,276</u>	<u>51,658</u>	<u>51,658</u>	<u>-</u>
Fund balance - ending	<u>\$ 22,686</u>	<u>\$ 5,043</u>	<u>\$ 44,503</u>	<u>\$39,460</u>

OTHER SUPPLEMENTAL INFORMATION

TOWN OF AMITE CITY

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Environmental Protection Agency: Passed through Louisiana Department of Environmental Quality: Municipal Facilities Revolving Loan Fund	66.458	unknown	\$ 519,907
U.S. Department of Housing and Urban Development: Passed through Louisiana Division of Administration, Office of Community Development FY 2001 LCDBG Program	14.228	unknown	453,881
U.S. Department of Agriculture - Rural Development Direct Program: Rural Business Enterprise Grant	10.769	-	34,000
Department of Justice Passed through Louisiana Commission on Law Enforcement and Administration of Criminal Justice Law Enforcement Equipment (LLEBG)	16.592	unknown	<u>2,191</u>
Total Expenditures of Federal Awards			<u>\$1,009,979</u>

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Town of Amite City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Town of Amite City

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue					
	Arts Council	Small Business Revolving Loan	Economic Development	Capital Improvements	Total	
<u>ASSETS</u>						
Cash	\$36,778	\$27,553	\$ 96,262	\$10,498	\$171,091	
Due from other funds - General fund	751	-	-	-	751	
Sales Tax fund	-	-	6,748	-	6,748	
Waterworks fund	-	-	843	-	843	
Loan receivable	-	<u>27,767</u>	-	-	<u>27,767</u>	
	<u>\$37,529</u>	<u>\$55,320</u>	<u>\$103,853</u>	<u>\$10,498</u>	<u>\$207,200</u>	
Total Assets						
	\$ -	\$ -	\$ -	\$ -	\$ -	
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
<u>Fund Balances</u>						
Unreserved, undesignated	<u>37,529</u>	<u>55,320</u>	<u>103,853</u>	<u>10,498</u>	<u>207,200</u>	
Total Liabilities and Fund Balance	<u>\$37,529</u>	<u>\$55,320</u>	<u>\$103,853</u>	<u>\$10,498</u>	<u>\$207,200</u>	

Town of Amite City

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Special Revenue					
	Arts Council	Small Business Revolving Loan	Economic Development	Capital Improvements	Total	
<u>Revenues</u>						
Federal grant	\$ -	\$34,000	\$ -	\$ -	\$ 34,000	
Investment interest	364	1,432	1,208	2,405	5,409	
Miscellaneous	1,323	300	-	-	1,623	
Total revenues	<u>1,687</u>	<u>35,732</u>	<u>1,208</u>	<u>2,405</u>	<u>41,032</u>	
<u>Expenditures</u>						
Economic development	-	425	11,655	-	12,080	
Art development	786	-	-	-	786	
Total expenditures	<u>786</u>	<u>425</u>	<u>11,655</u>	<u>-</u>	<u>12,866</u>	
Excess (deficiency) of revenues over expenditures	<u>901</u>	<u>35,307</u>	<u>(10,447)</u>	<u>2,405</u>	<u>28,166</u>	
<u>Other Financing Sources (Uses)</u>						
Operating transfers in	11,514	-	42,137	-	53,651	
Operating transfers out	-	-	(48,943)	(300,241)	(349,184)	
Total other financing sources (uses)	<u>11,514</u>	<u>-</u>	<u>(6,806)</u>	<u>(300,241)</u>	<u>(295,533)</u>	
Net change in Fund Balances	12,415	35,307	(17,253)	(297,836)	(267,367)	
Fund balances, beginning	<u>25,114</u>	<u>20,013</u>	<u>121,106</u>	<u>308,334</u>	<u>474,567</u>	
Fund balances, ending	<u>\$37,529</u>	<u>\$55,320</u>	<u>\$103,853</u>	<u>\$ 10,498</u>	<u>\$ 207,200</u>	

Town of Amite City

UTILITIES REVENUE BONDS - ADDITIONAL INFORMATION

As of and for the Year Ended June 30, 2004

The resolutions authorizing the issuance of \$1,330,000 Utilities Revenue Bonds require the following information to be submitted in connection with the audit report:

a. <u>Revenues</u>	<u>Total System</u>	<u>Water Works</u>	<u>Sewer</u>
Water revenues	\$216,801	\$216,801	\$ -
Water and garbage penalties	11,355	5,677	5,678
Sewer revenues	287,394	-	287,394
Water and sewer taps	13,235	6,618	6,617
Reconnect fees	2,700	1,350	1,350
Interest earned on water account	1,041	1,041	-
Interest earned on sewer account	<u>242</u>	<u>-</u>	<u>242</u>
Total revenues	<u>532,768</u>	<u>231,487</u>	<u>301,281</u>
 <u>Expenditures</u>			
Salaries	119,292	59,646	59,646
FICA tax expense	9,267	4,633	4,634
Water repairs, materials, & supplies	25,339	25,339	-
Sewer repairs, materials & supplies	66,340	-	66,340
Dues	6,782	3,391	3,391
Professional fees	10,000	5,000	5,000
Miscellaneous fees	5,951	2,976	2,975
Sewer testing	9,271	-	9,271
Office expense	10,923	5,462	5,461
Collection expense	73	36	37
Truck expense	5,252	2,626	2,626
Water truck fuel	7,130	7,130	-
Treatment plant expenses	7,118	-	7,118
Utilities - water	37,393	37,393	-
Utilities - sewer	<u>93,029</u>	<u>-</u>	<u>93,029</u>
Total expenditures	<u>413,160</u>	<u>153,632</u>	<u>259,528</u>
 Excess Revenues	 <u>\$119,608</u>	 <u>\$ 77,855</u>	 <u>\$ 41,753</u>

b. Balance Sheet of the System - See page 11 of annual financial report.

c. The Town failed to comply with many provisions of the Bond Ordinance and Loan Agreement. An increase in the sewer rates should be implemented immediately. The administration should require the staff to read and understand the Bond Ordinance and Loan Agreement and comply with the requirements placed upon the Town by the lender.

Town of Amite City

UTILITIES REVENUE BONDS - ADDITIONAL INFORMATION (continued)

As of and for the Year Ended June 30, 2004

d. Insurance policies in force at June 30, 2004 **(UNAUDITED)**:

1) Insurer: Louisiana Municipal Risk Management Agency, expiring May 1, 2004
(has been renewed to May 1, 2005):

<u>Policy Limit</u>	<u>Risk Covered</u>
\$500,000	Automobile liability
\$500,000	Commercial general liability
\$500,000	Law Enforcement officer's comprehensive liability
\$500,000	Public officials' errors and omissions liability

2) Insurer: Louisiana Municipal Risk Management Agency, expiring January 1, 2004
(has been renewed to January 1, 2005)

<u>Policy Limit</u>	<u>Risk Covered</u>
Louisiana Statutes	Worker's Compensation

3) Insurer: Rod Prejean & Associates, expiring January 5, 2005

<u>Policy Limit</u>	<u>Risk Covered</u>
\$343,300	Commercial auto & physical damage
\$ 41,237	Commercial inland marine

Town of Amite City

UTILITIES REVENUE BONDS - ADDITIONAL INFORMATION (continued)

As of and for the Year Ended June 30, 2004

4) Insurer: Western Surety Company, expiring November 26, 2004
(has been renewed to November 26, 2005)

<u>Policy Limit</u>	<u>Risk Covered</u>
\$1,000	Bond on Town Marshall
\$1,000	Bond each on two policemen
\$1,000	Bond each on two clerical workers
\$1,000	Bond on city councilman
\$1,000	Bond on purchasing agent
\$1,000	Bond on utility worker
\$1,000	Bond on utility clerk
\$1,000	Bond on police clerk
\$1,000	Bond on assistant clerk
\$1,000	Bond on city clerk

5) Insurer: Stone Insurance, Inc.

<u>Policy Limit</u>	<u>Risk Covered</u>
\$5,000	Bond on cemetery custodian, expiring May 20, 2006

6) Insurer: Stone Insurance, Inc., expiring December 1, 2004

<u>Policy Limit</u>	<u>Risk Covered</u>
Actual Cash Value/Replacement Cost	Commercial Fire (no coverage for water or sewer property)
\$2,637,120	Equipment floater

Town of Amite City

UTILITIES REVENUE BONDS - ADDITIONAL INFORMATION (continued)

As of and for the Year Ended June 30, 2004

- e. There were 1,696 water users and 1,462 users of the sewerage system at June 30, 2004.
There were 1,300 residential and 396 commercial water users at June 30, 2004.
There were 1,171 residential and 291 commercial sewer users at June 30, 2004.
- f. Analysis of Additions, Replacements, and Improvements to the Physical Properties of the System - See note 8 to the financial statements.
- g. Analysis of Required Bank Accounts - See note 17 to the financial statements.
- h. *Schedule of monthly water and sewer rates:*

Sewer Service Charges

Residential Rates:

\$10.00 base rate for sewer service inside the corporate limits of the town.
\$20.00 base rate for sewer service outside the corporate limits of the town.

Commercial Rates:

Inside the corporate limits of the town:

a. Office, five or less employees, no public baths	\$ 10.00
b. Small commercial, five to twenty employees (office and retail)	25.00
c. Large commercial & restaurants	60.00
d. Laundry mats, car washes, lab, etc.	100.00
e. Schools, per person	.50
f. Jail, hospital, nursing homes, courthouse, per person	1.00
g. Motel, per room	2.00
h. Foundry	250.00
I. Lift Station cleaning	300.00

Sewer service charges for commercial service outside the corporate limits of town shall pay an amount equal to two times the amount charged for comparable business located inside the corporate limits.

Water Rates

Residential Rates:

\$ 8.40 per month for inside the corporate limits of the town.
\$16.80 per month for outside the corporate limits of the town.

Commercial Rates:

Some customers are billed at metered rates others are billed at a variable flat rate.

Concluded

**OTHER INDEPENDENT AUDITOR'S REPORTS
AND FINDINGS**



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

The Honorable Mayor Reggie Goldsby and
Members of the Town Council
Town of Amite City
Amite, Louisiana

I 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 Town of Amite City, Louisiana (Town) as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements, and have issued my report thereon dated November 9, 2004. I conducted my 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 Town of Amite City, Louisiana's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my test disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-2, 2004-3, 2004-5, 2004-9, 2004-10, 2004-14, and 2004-15.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the Town of Amite City, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town of Amite City, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-1, 2004-2, 2004-4, 2004-6, 2004-7, 2004-8, 2004-10, 2004-11, 2004-12, and 2004-13.

Town of Amite City
Independent Auditor's Report on Compliance
and on Internal Control - Concluded

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 2004-1, 2004-7, and 2004-10 to be material weaknesses.

I also noted other matters involving the internal control over financial reporting that I have reported to the management of the Town of Amite City, Louisiana in a separate letter dated November 9, 2004.

This report is intended for the information and use of the governing council, management, the Legislative Auditor, and the 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. However, this report is a matter of public record and its distribution is not limited.


Certified Public Accountant

November 9, 2004



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

The Honorable Mayor Reggie Goldsby and
Members of the Town Council
Town of Amite City
Amite, Louisiana

Compliance

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

I conducted my 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 I 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 Town of Amite City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Town of Amite City's compliance with those requirements.

In my opinion, the Town of Amite City 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. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2004-16 and 2004-17.

Town of Amite City
Independent Auditor's Report on Compliance
and on Internal Control over Compliance - OMB Circular A-133

Internal Control over Compliance

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

My 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 the 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. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information and use of the governing body, management, the Legislative Auditor, and the 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. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant

November 9, 2004

Town of Amite City

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

SECTION 1: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS		
2003-1	Lack of segregation of duties	Unresolved - See current year finding 2004 - 1.
2003-2	Failure to comply with the Local Government Budget Act	Unresolved - See current year finding 2004 - 2.
2003-3	Traffic citations not reported in accordance with state law	Unresolved - See current year finding 2004 - 3.
2003-4	Cell phone policy - lack of enforcement	Resolved.
2003-5	Inadequate controls over water, sewer and garbage receivables	Partially resolved - See current year finding 2004 - 4.
2003-6	Possible improper payment to engineer	Unresolved - See current year finding 2004 - 5.
2003-7	Un-reimbursed health insurance premiums on COBRA employee	Not resolvable.
2003-8	Insufficient documentation to support Small Business Revolving Loan Program	Unresolved - See current year finding 2004 - 6.
2003-9	General Fund deficit	Not resolvable
SECTION 3. MANAGEMENT LETTER		
MGNT - 1	Need to define "full-time" in employee policy manual	Resolved.
MGNT - 2	Personal Use of Town and Police Vehicles	Unresolved - See current year MGNT - 1.
MGNT - 3	Ethics/Conflict of Interest Statement	Unresolved - See current year MGNT - 1.
MGNT - 4	Cemeteries	Resolved.

Town of Amite City

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - (concluded)

SECTION 3: MANAGEMENT LETTER		
MGNT - 5	Failure to Run Advertisement Required Number of Times	Resolved.
MGNT - 6	Failure to Get Reimbursed for Grass Cut on Private Property	Resolved.
MGNT - 7	Failure to Make Required Dedication	Resolved.
MGNT - 8	Overtime Paid to Water and Street Superintendent	Resolved.
MGNT - 9	Elected Officials Failed to Sign the Related Party Questionnaire After Several Requests by the Auditor	Resolved.
MGNT - 10	Insufficient Funds to Pay Debt Service	Unresolved - See current year finding 2004 - 16.
MGNT - 11	Failure to Receive Documentation of Matching Funds	Resolved.

Town of Amite City

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2004

SECTION I - SUMMARY OF AUDITOR'S RESULTS

I have audited the financial statements of the Town of Amite City as of and for the year ended June 30, 2004, and have issued my report thereon dated November 9, 2004. I conducted my 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 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:
Material weaknesses identified? yes no

Reportable conditions identified 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 weaknesses identified? yes no

Reportable conditions identified not
considered to be material weaknesses? yes none reported

Type of auditor's 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

Major programs:

CFDA Number 66.458
Environmental Protection Agency
Municipal Facilities Revolving Loan Fund

CFDA Number 14.228
U. S. Department of Housing and Urban Development
FY 2001 LCDBG Program

Town of Amite City

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS (continued)

Dollar threshold used to distinguish between type A and type B programs: \$500,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

This section is used to identify the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements required to be reported under *Government Auditing Standards*.

Finding

2004- 1 Lack of Segregation of Duties
(Repeated from Prior Year)

The Town clerk is the sole employee involved in the recording, processing, summarizing, and reporting the Town's financial data.

An adequate system of internal control requires an appropriate segregation of duties consistent with control objectives. This deficiency could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with management's objectives.

The limited size of the Town precludes an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial. No change is recommended.

2004- 2 Local Government Budget Act Violations
(Repeated from Prior Year)

The Town failed to adopt the operating budget for the fiscal year ending June 30, 2003, before July 1, 2003. The budget was adopted on July 28, 2003. Louisiana Revised Statute (R.S.) 39:1308 requires the Town to take all action necessary to adopt and otherwise finalize and implement the budget for an ensuing fiscal year in an open meeting and completed prior to the end of the fiscal year in progress.

The following individual funds had either actual revenues and other sources fail to meet budgeted revenues and other sources or actual expenditures and other uses over budgeted expenditures and other uses for the year ended June 30, 2004:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>	<u>Percent</u>
Revenues:				
Small Business Loan Program Fund	\$99,990	\$35,732	\$64,258	64.26%
Capital Improvements Fund	2,800	2,404	396	14.14%
Expenditures:				
Economic Development Fund	\$31,655	\$60,598	\$28,943	91.43%

Town of Amite City

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS (continued)

The Louisiana Municipal Budget Law requires a local government to amend its operating budget when the total revenue and other sources fail to meet total budgeted revenues and other sources by 5% or more. Also, amendment is required when total actual expenditures and other uses exceed the total budgeted expenditures and other uses by 5% or more. The Town failed to amend the budgets by an adequate amount for the small business loan program fund, capital improvements fund, and economic development fund for the fiscal year ended June 30, 2004.

The Town should monitor its financial statements at least quarterly and amend the budget as needed.

2004- 3 Traffic Citations Not Reported In Accordance To State Law
(Repeated from Prior Year)

The police department continues to fail to send the required monthly report to the Louisiana Department of Public Safety for the traffic violations issued other than a parking violation.

Louisiana R.S. 32:393 requires that the municipality keep a full report of every case in which a person is charged with a traffic violation, other than a parking violation, and send the report to the Louisiana Department of Public Safety.

The Chief of Police needs to comply with state law.

2004- 4 Inadequate Controls Over Water, Sewer, and Garbage Receivables
(Repeated from Prior Year)

At June 30, 2004, the Town had inactive accounts with balances totaling \$1,320.00. Management is not adhering to its 30 day cut-off policy. It was noted that 10 utility customers had excessive past due balances and were currently receiving services. A sufficient explanation was not provided as to why these customers were not cut off and allowed to receive services.

In the prior year audit, it was recommended that the Mayor appoint a supervisor to the water clerk, have a required monthly checklist of duties the water clerk would perform and instruct his staff to enforce the cut off policy.

Currently, there is a monthly checklist of duties the water clerk should perform but it is not being signed off on and the checklist is not being reviewed. As of November 9, 2004, the Mayor had yet to appoint a supervisor to the water clerk and instruct the water clerk to report to that individual.

The cut off policy needs to be strictly enforced. Any deviation from the policy should be initiated by a signed request from the Mayor. The Mayor needs to address the issue of a supervisor for the water clerk.

2004- 5 Possible Improper Payment to Engineer
(Repeated from Prior Year)

This finding was first reported June 30, 2001. It appears that absolutely nothing has been done by the Town. The Mayor's assistant forwarded the information to the town's attorney who indicated that he has not gotten around to writing the letter for the Mayor to request an Attorney General's opinion on this matter.

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS (continued)

2004- 6 Insufficient Documentation to Support Amount of Loan to Third Party for the Small Business Revolving Loan Program
(Repeated from Prior Year)

The Town established a Small Business Revolving Loan Program during the fiscal year June 30, 2003. It is funded by the United States Department of Agriculture through a Rural Business Enterprise Grant. Loans are made to local small businesses that are new or expanding and create or retain jobs. Per the Town's documentation, loans are available for a maximum of 75% of the total project costs with 25% to be obtained from local banks or financial institutions. The project must create one new job or retain one job for each \$10,000 borrowed.

An example of an eligible project is a loan for start-up or expansion of a business. The loan proceeds cannot be used to refinance or pay on existing debt.

The Town lent \$34,000 to a local business through the Small Business Revolving Loan Program.

The Town made this loan without sufficient documentation to substantiate the "Total Project Cost" of \$52,995 as indicated on the application form. The Town can only lend 75% of the "Total Project Cost." Without proper documentation, it is impossible to determine if the Town lent the proper amount.

The Town revised the application form to include a line for "Total Project Cost" but failed to add a line to indicate if the application had been approved or rejected along with the date.

The Town is required to prepare a "Financial Status Report" and a "Project Performance Activity Report on a quarterly basis. Per Federal regulations, the Town is to monitor constantly the performance to ensure that performance objectives are being met, time schedules are being met, and other objectives are being achieved. None of the above had taken place by the conclusion of my audit.

The Loan Committee should revise the loan application to ensure that all relevant data is requested on the form. The approval/rejection of the application needs to be indicated on the form along with the date. Management needs to review the federal regulations to ensure that the Town is in compliance with the program; if not, procedures need to be established to ensure compliance.

2004- 7 Fidelity Bond Coverage

The fidelity bond on the town clerk, assistant clerk, water clerk, and assistant to the Mayor are \$1,000 each. This is not adequate coverage to protect the town from loss.

The town should increase the bond coverage for these employees to a sufficient amount.

2004- 8 Overpayment of Insurance

The Town overpaid \$10,000 to Risk Management for the liability policy dated May 1, 2003 - May 1, 2004. This error could have been prevented if the proper records were kept.

It is recommended that the Clerk keep up with the payments, additions, and deletions for each policy period in order to prevent over payments.

Town of Amite City

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS (continued)

2004- 9 Convention Expenses

For the 2003 Louisiana Municipal Convention the Town advanced to each council member and employee attending the convention \$150. Attendees were required to submit a completed expense report with receipts backing up the \$150 advance upon completion of the convention. Any amount not accounted for with a receipt was to be returned to the Town.

During my audit, it was discovered that one council member did not provide any documentation for his advance and did not repay the advance to the Town. One employee provided receipts and proper documentation for only \$117.47, but failed to repay the \$32.53 owed the Town.

For a different convention, the Town failed to secure proper documentation prior to payment for hotel rooms for two councilmen.

It is recommended that the Town stop advancing convention expense money and only reimburse those expenses that are allowable and have proper documentation.

2004- 10 Insufficient Collateralization of Funds

The Town was under collateralized for eleven months of the year. The average amount of under collateralization was \$435,589. The town did not have pledged collateral until June 2004.

The town had sufficient collateral as of June 30, 2004.

The clerk needs to monitor the pledged collateral monthly and notify the fiscal agent immediately when the pledge collateral is insufficient.

2004- 11 Cemetery Committee/Contracts

The cemetery committee hired someone to maintain the flower beds at the cemetery. The cemetery committee is not authorized to hire anyone. In addition, the Town failed to get a signed contract and proof of worker's compensation from the individual.

It is recommended that the cemetery committee be advised that they are not authorized to hire anybody. The town should get a contract from the individual and request proof of worker's compensation or withhold the insurance premiums from the individuals payment.

The town did not renew the contract for lawn services. The contract expired in February 2003 and has not been renewed since that time, however, the individual is continuing the lawn services.

It is recommended that the Town get an up to date contract and continue to renew it if the services will still be provided.

2004- 12 Test of Leave Records - Police Department

During my audit, it was determined that the police department has not maintained their leave records in such a manner to sufficiently determine the accuracy of leave earned and eligibility of leave taken.

Town of Amite City

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS (continued)

Leave records for the police department are maintained at the police department. Each police officer has a leave sheet in which the hours earned and taken for annual leave and sick leave are accounted for. All annual leave must be requested and approved prior to taking it.

Also, police officers earn holiday hours. The holiday hours are based on the official holiday schedule adopted by the Town council. To be able to use the holiday leave, the actual holiday must have occurred. A copy of the holiday schedule is placed in each police officers leave file. As the officer uses the holiday hours, the date they used it is written next to the actual holiday on the holiday schedule.

During my audit, I selected 5 officers leave records to test. Four out of five of the records had errors. The errors ranged from mathematical to insufficient evidence to determine the leave taken/earned. One particular officer was allowed to take and be paid for 32 hours of leave in excess of what had been earned.

The Chief of Police needs to revise the method in which leave is accounted for. The individual assigned to maintaining the leave records should be instructed to reconcile the records on a quarterly basis.

2004- 13 Delinquent Payments - Elected Official

As of June 30, 2004, a certain elected official of the Town of Amite City was three months delinquent on his utility bill and had not reimbursed the Town \$673 for the cost of the culverts that were purchased and installed by the Town for his benefit.

Elected officials should not receive preferential treatment when enforcing the cut-off policy regarding past due utility accounts and collecting money owed to the Town.

2004- 14 Purchase of Culverts in Violation of State Constitution

The practice of the Town has been to purchase and install culverts for the benefit of private property owners and allow the property owner to enter into an agreement to reimburse the Town for the cost of the culvert over time. Once the agreement has been prepared, the Town is not following up on collecting the unpaid balance.

As of June 30, 2004, there were three accounts totaling \$790.26 that are severely delinquent and no effort has been made by the Town to collect these accounts.

Article VII, Section 14 fo the 1974 LA constitution states that the funds, credit, property, or things of value of any political subdivision shall not be loaned, pledged, or donated to or for any person, or association, or corporation, public or private.

The Town is passing through their tax-exempt status to the property owner when the Town purchases the culvert.

This appears to be a violation of Article VII, Section 14 of the 1974 LA Constitution and it is recommended that the Town seek a legal opinion as to the legality of this issue and until such opinion is received the Town Council should rescind its motion authorizing this practice.

Town of Amite City

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS (continued)

2004- 15 Court Docket/Court Costs

As a result of my test of the court docket, the following items were noted:

1. The paper work for three cases was missing.
2. The Magistrate dismissed a case in which the bond money was to be refunded to the defendant. The money has not been refunded as of yet.
3. Some cases on the docket were difficult to determine the disposition.
4. Warrant's that are issued by the magistrate are not being followed up on. The Town is not trying to get community service from those defendants who have an outstanding warrant.
5. The Town is not collecting the correct court costs. Such as:
 - a. The Town is collecting \$35 for the Public Defender's office; however, because the population of Amite is less than 5,000 they are exempt from collection of this cost.
 - b. The Town is collecting \$7.50 on every case for the Crime Victims Reparations Fund. Traffic violations are exempt.
 - c. The Town is not collecting the \$5.00 special cost for the Florida Parishes Juvenile Justice Commission for each conviction of a municipal ordinance including traffic violations as required by R.S. 15:1094.7
 - d. The Town is not collecting the \$5.00 special cost for each conviction of reckless driving or speeding offense for the Traumatic Head and Spinal Cord Injuries Services as required by R.S. 46:2633.

The Police Department should obtain a copy of the most recent Mayor's Court Handbook from LMA, read it, gain an understanding of its contents, and comply.

The Chief of Police and Town Clerk should see to it that good business practices are observed when dealing with the collection and refunding of bond money.

SECTION III - FEDERAL FINANCIAL ASSISTANCE

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance required to be reported by OMB Circular A-133.

2004- 16 Compliance with Bond Ordinance and DEQ Loan and Pledge Agreement

The Town failed to comply with several of the covenants per the Bond Ordinance and the DEQ Loan and Pledge Agreement. See Note 17 to the financial report for the details of these deficiencies.

The Town council, Mayor, Clerk, and Assistant to the Mayor need to read the Bond Ordinance and DEQ loan and pledge agreement to gain a more complete understanding of what is required by the Town and take the necessary steps to stay in compliance.

Town of Amite City

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS (concluded)

2004- 17 Compliance with Davis Bacon Act on the 2001 LCDBG Grant

Per the March 2004 compliance supplement of the A-133 Compliance Supplement, the audit procedures for testing compliance with the Davis Bacon Act are to test that each contractor and subcontractor had a prevailing wage rate clause in their contract and submitted certified weekly payroll reports.

During my audit the following was noted:

For Contract A:

1. One subcontractor failed to sign the Subcontractors Certification Concerning Labor Standards and Prevailing Wage Requirements Form.
2. The same subcontractor from above failed to submit the statement of compliance for two weekly payrolls.
3. A different subcontractor, failed to provide documentation verifying that the fringe was actually paid on behalf of three employees.

For Contract B:

1. The general contractor had one certified payroll missing.

As of November 15, 2004, the documentation verifying that the fringe was actually paid on behalf of employees for the subcontractor cited above had been provided to the State of Louisiana, Office of Community Development.

The Mayor should request the engineer to monitor the required documentation of the grant program more frequently.

Town of Amite City

MANAGEMENT'S CORRECTIVE ACTION PLAN
For Current Year Audit Findings for the Year Ended June 30, 2004

SECTION 1. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
Finding Reference No.	Management's Corrective Action Plan
2004 - 1 Lack of Segregation of Duties	The Town concurs with the auditor's recommendation. No further action to be taken.
2004 - 2 Local Government Budget Act Violations	The Town concurs with the auditor's recommendation.
2004 - 3 Traffic Citations Not Reported in Accordance to State Law	Incoming Chief of Police agrees to work toward compliance.
2004 - 4 Inadequate Controls Over Water, Sewer, and Garbage Receivables	Mayor agrees with auditor's recommendation and will strongly instruct staff to comply immediately.
2004 - 5 Possible Improper Payment to Engineer	Mayor will instruct legal counsel to write letter for Mayor to request a legal opinion from Attorney General.
2004 - 6 Insufficient Documentation to Support Amount of Loan to Third Party for the Small Business Revolving Loan Program	<ol style="list-style-type: none"> 1. Loan application has been revised. 2. Quarterly payroll reports indicate 2 full-time employees were added as of 6/30/04, up 2 from October 1, 2003. Have 3 years to add employees. 3. Documentation obtained to substantiate \$52,995 total project lost.
2004 - 7 Fidelity Bond Coverage	Bond coverage will be increased.
2004 - 8 Overpayment of Insurance	The Clerk will closely monitor insurance payments, additions and deletions. The \$10,000 payment was recovered.
2004 - 9 Convention Expenses	Mayor has instructed the Clerk that no advances for convention expenses will be allowed. Council members and Mayor must present receipts for reimbursements of allowable expenses.

MANAGEMENT'S CORRECTIVE ACTION PLAN - (continued)

2004 - 10	Insufficient Collateralization of Funds	Mayor has instructed Clerk to monitor pledged collateral monthly and notify fiscal agent when pledged collateral is insufficient.
2004 - 11	Cemetery Committee/Contracts	Contract for lawn services has been renewed for FYE 6/30/03 and 6/30/04. Contract has been made for cemetery flower bed maintenance and worker's compensation insurance will be deducted beginning with next payment.
2004 - 12	Test of Leave Records - Police Department	Incoming Chief of Police agrees to work toward compliance and furnish clerk all leave records on a monthly basis.
2004 - 13	Delinquent Payments - Elected Official	Mayor concurs with auditor's recommendation. <i>In the future, elected officials will not receive preferential treatment with past due utility accounts or any other money owed to the Town.</i>
2004 - 14	Purchase of Culverts in Violation of State Constitution	Mayor will request Town Council rescind motion and will instruct staff to stop purchasing culverts. Culverts have only been installed on town property and town right-of-ways, not on personal property.
2004 - 15	Court Docket/Court Costs	The incoming Chief of Police and the Clerk will collect correct court costs, effective immediately.

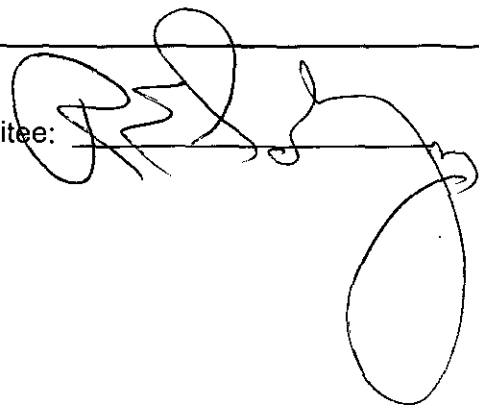
SECTION 2. FEDERAL FINANCIAL ASSISTANCE

Finding Reference No.		Management's Corrective Action Plan
2004 - 16	Compliance with Bond Ordinance and DEQ Loan and Pledge Agreement	Town has made required payments to Reserve Fund and Depreciation and Contingency Replacement Fund. Town will adhere to cut-off policy. Mayor will request the council increase sewer user fees.
2004 - 17	Compliance with Davis Bacon Act on the 2001 LCDBG Grant	All documentation was provided and the town is in compliance with Davis Bacon Act on LCDBG 2001. Mayor will request engineer monitor the required documentation of the grant program more frequently in the future.

MANAGEMENT'S CORRECTIVE ACTION PLAN - (concluded)

SECTION 3. MANAGEMENT LETTER	
Finding Reference No.	Management's Corrective Action Plan
MGNT - 1 Personal Use of Town and Police Vehicles Ethics/Conflict of Interest Statement	Mayor will request new Chief of Police to secure signed vehicle policy, cell phone policy and ethics policy or written documentation of employees refusal to sign.
MGNT - 2 Keeping of Time	A new time clock has been ordered for city hall and the police department. The new clock will print the day, month, and year.
MGNT - 3 Worker's Compensation	Mayor will instruct Clerk to amend 941 and issue a corrected W-2C to the employee for 2003.
MGNT - 4 Due from Others for Insurance	Mayor will instruct Clerk to monitor insurance account.

Date Submitted: 12-30-04

Auditee: 



LEE GRAY

CERTIFIED PUBLIC ACCOUNTANT

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November 9, 2004

MANAGEMENT LETTER

Honorable Reggie Goldsby, Mayor
and the Town Council
Town of Amite City
212 East Oak Street
Amite, LA 70422

Dear Mayor and Town Council:

In connection with my audit of the financial statements of the Town of Amite City as of and for the year ended June 30, 2004, I noted several matters which need to be brought to your attention. These matters and my recommendations concerning them are listed below:

MGNT - 1 Personal Use of Town and Police Vehicles Ethics/Conflict of Interest Statement
(Repeated from Prior Year)

The Town has in place policies that cover cell phone use, personal use of Town vehicles, and conflicts of interest.

However, when the Town adopted these policies they failed to establish a penalty for violating them. Also, the Town has no method of documenting the employee's refusal to sign the policy.

During my audit it was noted that all police department employees had refused to sign the conflict of interest statement.

In addition, the personal use of Town vehicles policy was only signed by 3 police officers.

The Mayor and Town Council need to address the lack of penalty in these policies and the Chief of Police should make every effort to secure the signatures of every effected police department employees or written documentation of the employee's refusal to sign the policy.

MGNT - 2 Keeping of Time

The Town does not have a time clock that provides sufficient data. The clock does not provide the year and the employees are not writing the pay period on the time card. Employees are not always clocking out when leaving to do personal errands.

The Town should purchase a time clock that will provide the month, date, year, and time. The employees should also write the pay period on the time card. Employees should be instructed to clock in and out when they leave to do personal errands. The employee should indicate on the card if they want to dock their annual leave or be docked that pay period for personal time taken.

MGNT - 3 Worker's Compensation

Worker's compensation benefits for a town employee were handled incorrectly subjecting them to taxation.

The insurance company sent the worker's compensation payments made payable to an employee to the Town. The clerk deposited these payments into the Town's general fund instead of handing the payment to the employee. Then the town issued this employee a payroll check in the amount of his regular full-time shift. The total gross wages were subject to Federal income tax, social security, medicare, and Louisiana income tax. Worker's compensation benefits are exempt from all of these taxes.

It is recommended that the clerk amend the 941 forms for the quarters effected and send a corrected W-2C to the employee in order to correct the wages for federal and state withholdings, and social security and medicare.

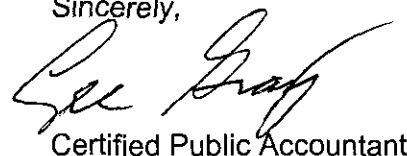
MGNT - 4 "Due from Others for Insurance"

The clerk is not maintaining the "Due from others for Insurance" account properly. "Others" equal current and previous employees of the Town. The town maintains several insurance policies for dental, life, and cancer in which these employees are carried on a reimbursement basis to the Town. The town is failing to request the correct amount for premiums paid, failing to record the "Due from Others", and there are mathematical errors.

It is recommended that the town make a serious effort to improve its method of recording these "Due from Others" amounts and make an effort to collect all the money due the Town.

I thank you and your staff for the helpful cooperation I received during my audit.

Sincerely,



Certified Public Accountant