

CITY OF JENNINGS, LOUISIANA
Annual Financial Statements
As of June 30, 2004 and for the Year Then Ended

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

Release Date 2-16-05

CITY OF JENNINGS, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2004
With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

January 31, 2005

The Honorable Terry W. Duhon, Mayor
and the Members of the City Council
City of Jennings, 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 City of Jennings, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jennings' 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 we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The financial statements referred to above include only the primary government of the City of Jennings, which consist of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Jennings, as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States.

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

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jennings' basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2005, on my consideration of the City of Jennings' internal control over financial reporting and 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.

Edward L. Krielow
Certified Public Accountants

CITY OF JENNINGS
Management's Discussion and Analysis
June 30, 2004

This section of the City of Jennings' annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2004. Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will provide additional explanations of the City's financial position and results of operations.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. The two types of financial statements present the City's financial position and results of operations from differing perspectives, which are described as follows:

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the city as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the City's assets (including infrastructure acquired after June 30, 2003) and all of the City's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** - Expenses incurred in connection with providing basic services including public safety, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, intergovernmental sources, and utility franchise agreements.
- **Business-Type Activities** – Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services and \$500,000 of a 1% sales tax passed in 1994. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

FUND FINANCIAL STATEMENTS

Fund financial statements provide detailed information regarding the City's most significant activities and are not intended to provide information for the city as a whole. Funds are accounting devices that are used to account for specific sources of funds. The city has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the City's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** – These funds are used to account for activities that function a manner similar to commercial enterprises. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, the following tables present only current year data. In future years, comparative analysis of government-wide data will be presented.

NET ASSETS

A condensed version of the government-wide Statement of Net Assets is presented as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets:			
Current and other Assets	\$ 5,666,891	\$ 1,498,147	\$ 7,165,038
Internal Balances	236	(236)	--
Capital Assets	<u>5,009,986</u>	<u>9,898,210</u>	<u>14,908,196</u>
Total Assets	<u>\$ 10,677,113</u>	<u>\$ 11,396,121</u>	<u>\$ 22,073,234</u>
Liabilities:			
Current and other Liabilities	\$ 340,566	\$ 786,132	\$ 1,126,698
Long-term Liabilities	--	<u>4,610,000</u>	<u>4,610,000</u>
Total Liabilities	<u>\$ 340,566</u>	<u>\$ 5,396,132</u>	<u>\$ 5,736,698</u>
Net Assets:			
Invested in Capital Assets (Net)	\$ 5,009,986	\$ 4,813,210	\$ 9,823,196
Restricted	--	2,454	2,454
Unrestricted	<u>5,326,561</u>	<u>1,184,325</u>	<u>6,510,886</u>
Total Net Assets	<u>\$ 10,336,547</u>	<u>\$ 5,999,989</u>	<u>\$ 16,336,536</u>

As the presentation appearing above demonstrates, a large portion of the City's net assets (60%) is invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and any infrastructure acquired after June 30, 2003 less any debt used to acquire the assets that remains outstanding. The City uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending. The presentation also shows the city has ample unrestricted net assets (40%). Portions of these assets will be used in the next fiscal year for major capital improvements.

CHANGES IN NET ASSETS

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

	<u>Govern- Mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenue:			
Charges for Services	\$ 622,670	\$ 1,434,148	\$ 2,056,818
Operating Grants and Contributions	558,734	--	558,734
Capital Grants and Contributions	100,202	104,053	204,255
General Revenue:			
Property Taxes	865,953	--	865,953
Sales Taxes	3,690,281	--	3,690,281
Franchise Taxes	634,693	--	634,693
Licenses and Permits	403,881	--	403,881
Grants and Contributions	254,417	--	254,417
Investment Earnings	56,511	16,008	72,519
Other General Revenue	142,647	19,592	162,239
Transfers	<u>(624,236)</u>	<u>624,236</u>	<u>--</u>
Total Revenue	<u>\$ 6,705,752</u>	<u>\$ 2,198,037</u>	<u>\$ 8,903,789</u>

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Program Expenses:</u>			
General Government	\$ 827,731	--	\$ 827,731
Public Safety	2,774,506	--	2,774,506
Public Works	1,089,501	--	1,089,501
Culture & Recreation	704,048	--	704,048
Community Development	21,350	--	21,350
Economic Development	210,244	--	210,244
Utilities Administration	--	218,135	218,135
Water	--	711,936	711,936
Sewer	--	738,118	738,118
Rental	--	91,680	91,680
Interest	--	158,526	158,526
Total Expenses	<u>\$ 5,627,380</u>	<u>\$ 1,918,395</u>	<u>\$ 7,545,775</u>
Increase in Net Assets	\$ 1,078,372	\$ 279,642	\$ 1,358,014
Net Assets Beginning	<u>9,258,175</u>	<u>5,720,347</u>	<u>14,978,522</u>
Net Assets Ending	<u>\$ 10,336,547</u>	<u>\$ 5,999,989</u>	<u>\$ 16,336,536</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of the end of the current fiscal year, the City of Jennings' governmental funds reported combined ending fund balances of \$5,398,055, an increase of \$656,227 in comparison with the prior year.

GENERAL FUND BUDGET HIGHLIGHTS

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA- RS 39:1301 et seq), the City of Jennings must adopt a budget for the General Fund and all Special Revenue funds prior to June 30. The original budget for the City was adopted on June 24, 2003 and the final budget amendment was adopted on May 11, 2004.

CAPITAL ASSET ADMINISTRATION

Capital assets: The City of Jennings' investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$14,908,194 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery, equipment and infrastructure acquired after June 30, 2003.

The City of Jennings Capital Assets

Land	\$ 1,301,385
Buildings and improvements	4,704,357
Furniture, computers & equipment	15,056,634
Vehicles	966,687
Infrastructure	1,342,616
Construction in progress	<u>368,478</u>
Total	23,740,157
Less: accumulated depression	<u>18,831,963</u>
Total Capital Assets (Net)	<u>\$14,908,194</u>

Highlights of the City's capital asset administration are provided as follows:

- Started the Hwy. 102 12" water line relocation and upgrade project
- Completed the first phase of the Grand Marias drainage project at a cost of \$47,000

- Purchased additional 5 acres of land to open Peterson Memorial Cemetery at a cost of \$29,189
- Completed first phase of Greenwood Cemetery expansion at a cost of \$19,372
- Completed major concrete and drainage improvement to the City Pool at a cost of \$30,193
- Renovations to City sidewalks at a cost of \$27,524
- Completed smaller various drainage projects in the amount of \$34,765
- Completed rebuilding air lines at sewer plant at a cost of \$25,120 and major repairs to water well #4 at the water plant at the cost of \$17,166
- Completed new forced main on Academy Ave. at a cost of \$9,750
- Major equipment purchases include:
 - New Fire Truck - \$123,437
 - New Street Sweeper - \$109,335
 - New Backhoe for Street Dept. - \$42,769
 - New Tractor & Boom Mower for Street Dept.- \$58,084

DEBT ADMINISTRATION

**The City of Jennings Outstanding Debt
As of June 30, 2004**

DEQ 1994 Sewer Plant Project Loan	\$4,390,000
1998 Water Plant Bonds	<u>695,000</u>
Total Outstanding Debt	<u>\$5,085,000</u>

FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

With the opening of the new Veteran's Home, High School, Ella Street Extension and expected completion of other Medical Facilities in the next year, the City of Jennings should see additional growth. Over the next few years this growth will affect some of our ability to provide additional services, such as fire & police protection and water & waste disposal needs. It will also affect our drainage and roads. Hopefully, sales and property taxes along with user fees of this new growth will help fund these additional services.

Basic Financial Statements

STATEMENT A

CITY OF JENNINGS, LOUISIANA

Statement of Net Assets

June 30, 2004

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 893,793	\$ 166,394	\$ 1,060,186
Investments	4,120,766	380,000	4,500,766
Receivables (net of allowances for uncollectibles)	623,370	203,141	826,512
Internal balances	236	(236)	-
Inventory	18,301	3,330	21,631
Prepaid items	10,660	6,005	16,665
Restricted cash and cash equivalents	-	5,274	5,274
Restricted investments	-	734,004	734,004
Capital assets (net)	5,009,986	9,898,210	14,908,196
TOTAL ASSETS	\$ 10,677,113	\$ 11,396,121	\$ 22,073,234
LIABILITIES			
Accounts, salaries, and other payables	\$ 221,769	\$ 247,651	\$ 469,420
Contracts payable	36,644	-	36,644
Matured bonds and interest payable	-	48,120	48,120
Compensated absences payable	82,153	15,361	97,514
Current portions of bonds payable	-	475,000	475,000
Bonds payable	-	4,610,000	4,610,000
TOTAL LIABILITIES	\$ 340,566	\$ 5,396,132	\$ 5,736,698
NET ASSETS			
Invested in capital assets, net of related debt	\$ 5,009,986	\$ 4,813,210	\$ 9,823,196
Restricted for deposits	-	2,454	2,454
Unrestricted	5,326,561	1,184,325	6,510,886
TOTAL NET ASSETS	\$ 10,336,547	\$ 5,999,989	\$ 16,336,536

The accompanying notes are an integral part of this statement.

CITY OF JENNINGS, LOUISIANA

STATEMENT B

Statement of Activities

For the Year Ended June 30, 2004

	Program Revenues			Net (Expenses) Revenues and Changes of Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 827,731	\$ 55,807	\$ -	\$ -	\$ (771,924)	\$ -	\$ (771,924)
Public safety	2,774,506	106,045	236,126	21,434	(2,410,901)	-	(2,410,901)
Public works	1,089,501	378,830	6,011	78,768	(625,893)	-	(625,893)
Cultural and recreation	704,048	81,988	60,829	-	(561,230)	-	(561,230)
Community development	21,350	-	-	-	(21,350)	-	(21,350)
Economic development	210,244	-	255,768	-	45,523	-	45,523
Total Governmental Activities	\$ 5,627,381	\$ 622,670	\$ 558,734	\$ 100,202	\$ (4,345,775)	\$ -	\$ (4,345,775)
Business-type Activities							
Utilities administration	\$ 218,135	\$ -	\$ -	\$ -	\$ -	\$ (218,135)	\$ (218,135)
Water	711,936	743,673	-	104,053	-	135,790	135,790
Sewer	738,118	599,631	-	-	-	(138,488)	(138,488)
Rental	91,680	90,845	-	-	-	(835)	(835)
Interest on long-term debt	158,526	-	-	-	-	(158,526)	(158,526)
Total Business-type Activities	\$ 1,918,395	\$ 1,434,148	\$ -	\$ 104,053	\$ -	\$ (380,194)	\$ (380,194)
Total Primary Government	\$ 7,545,776	\$ 2,056,818	\$ 558,734	\$ 204,255	\$ (4,345,775)	\$ (380,194)	\$ (4,725,969)
General Revenues:							
Property taxes					\$ 865,953	\$ -	\$ 865,953
Sales taxes					3,690,281	-	3,690,281
Franchise taxes					634,693	-	634,693
Occupational licenses & permits					403,881	-	403,881
Grants and contributions					254,417	-	254,417
Investment earnings					56,511	16,008	72,519
Other general revenues					142,647	19,592	162,239
Transfers					(624,236)	624,236	-
Total general revenues and transfers					\$ 5,424,147	\$ 659,836	\$ 6,083,983
Change in Net Assets					\$ 1,078,372	\$ 279,642	\$ 1,358,014
Net assets-beginning					9,258,175	5,720,347	14,978,522
Net assets-ending					\$ 10,336,547	\$ 5,999,989	\$ 16,336,536

The accompanying notes are an integral part of this statement.

STATEMENT C

CITY OF JENNINGS, LOUISIANA

Balance Sheet, Governmental Funds

June 30, 2004

	GENERAL FUND	STREET FUND	1994 1% SALES TAX FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 286,100	\$ 66,630	\$ 289,430	\$ 251,633	\$ 893,794
Investments	1,850,000	450,000	450,000	1,370,766	4,120,766
Receivables (net of allowances for uncollectibles)	352,942	2,435	185,058	82,936	623,370
Due from other funds	236	-	-	-	236
Inventory	18,301	-	-	-	18,301
TOTAL ASSETS	\$ 2,507,580	\$ 519,065	\$ 924,488	\$ 1,705,335	\$ 5,656,468
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts, salaries, and other payables	\$ 177,470	\$ 16,682	\$ -	\$ 27,617	\$ 221,769
Contracts payable	-	-	36,644	-	36,644
Total Liabilities	\$ 177,470	\$ 16,682	\$ 36,644	\$ 27,617	\$ 258,413
Fund balances:					
Unreserved, reported in:					
General Fund	2,330,111	-	-	-	2,330,111
Special revenue funds	-	502,383	887,844	1,677,718	3,067,945
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,507,581	\$ 519,065	\$ 924,488	\$ 1,705,335	\$ 5,656,468

The accompanying notes are an integral part of this statement.

STATEMENT D

CITY OF JENNINGS, LOUISIANA

**Reconciliation of The Governmental Funds Balance Sheet
to The Government-Wide Financial Statement of Net Assets**

June 30, 2004

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances, Total Governmental Funds (Statement C)	\$	5,398,054
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Capital Assets	\$ 9,060,030	
Less: Accumulated Depreciation	<u>(4,050,044)</u>	5,009,986
Other assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.		
Prepaid Items		10,660
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences		<u>(82,153)</u>
Net Assets of Governmental Activities (Statement A)	\$	<u>10,336,547</u>

The accompanying notes are an integral part of this statement.

STATEMENT E

CITY OF JENNINGS, LOUISIANA

Statement of Revenues, Expenditures and
and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2004

	GENERAL FUND	STREET FUND	1994 1% SALES TAX FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes:					
Ad valorem	\$ 320,474	\$ 376,830	\$ -	\$ 168,648	\$ 865,953
Sales and use	1,564,015	-	1,818,622	307,643	3,690,281
Other taxes, penalties, interest, etc.	652,189	-	-	589	652,778
Licenses and permits	403,881	-	-	-	403,881
Intergovernmental revenues:					
Federal grants	74,312	-	-	-	74,312
State funds:					
State revenue sharing (net)	-	-	-	239,768	239,768
Fees, charges, and commissions for services	549,435	1,317	-	-	550,752
Other	395,113	26,011	58,768	49,254	529,146
Fines and forfeitures	68,390	-	-	838	69,228
Investment earnings	25,407	8,458	3,884	18,762	56,511
Other revenues	74,768	965	-	121,647	197,379
Total Revenues	\$ 4,127,984	\$ 413,581	\$ 1,881,273	\$ 907,150	\$ 7,329,989
EXPENDITURES					
General government	\$ 669,166	\$ -	\$ -	\$ 5,698	\$ 674,864
Public safety	2,531,333	-	-	10,181	2,541,514
Public works	405,222	507,971	-	12,125	925,318
Cultural and recreation	441,422	-	-	194,754	636,177
Community development	-	-	-	21,350	21,350
Economic development	-	-	-	210,244	210,244
Capital outlay	46,357	115,332	504,816	300,306	966,811
Other	39,560	11,620	-	22,067	73,247
Total Expenditures	\$ 4,133,060	\$ 634,923	\$ 504,816	\$ 776,727	\$ 6,049,526
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (5,076)	\$ (221,343)	\$ 1,376,459	\$ 130,423	\$ 1,280,463
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 342,231	\$ 126,391	\$ -	\$ -	\$ 468,622
Transfers out	(56,100)	-	(1,036,558)	(200)	(1,092,858)
Total Other Financing Sources and Uses	\$ 286,131	\$ 126,391	\$ (1,036,558)	\$ (200)	\$ (624,236)
Net Change in Fund Balance	\$ 281,055	\$ (94,952)	\$ 339,901	\$ 130,223	\$ 656,227
Fund balances -- beginning	2,049,056	597,334	547,943	1,547,495	4,741,828
Fund balances -- ending	\$ 2,330,111	\$ 502,383	\$ 887,844	\$ 1,677,718	\$ 5,398,056

The accompanying notes are an integral part of this statement.

STATEMENT F

CITY OF JENNINGS, LOUISIANA

Reconciliation of The Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities

For the Year Ended June 30, 2004

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total Governmental Funds, Statement E \$ 656,227

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. 427,694

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. (5,548)

Change in Net Assets of Governmental Activities, Statement B \$ 1,078,373

The accompanying notes are an integral part of this statement.

STATEMENT G

CITY OF JENNINGS, LOUISIANA

Statement of Net Assets, Proprietary Funds

June 30, 2004

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	UTILITY FUND	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 145,412	\$ 20,982	\$ 166,394
Investments	300,000	80,000	380,000
Receivables (net of allowances for uncollectibles)	203,141	-	203,141
Inventory	3,330	-	3,330
Prepaid items	4,902	1,103	6,005
Restricted cash	5,274	-	5,274
Restricted investments	734,004	-	734,004
Total Current Assets	\$ 1,396,064	\$ 102,085	\$ 1,498,149
Non-Current Assets:			
Capital assets (net of accumulated depreciation)	\$ 9,803,555	\$ 94,854	\$ 9,898,409
Total Non-Current Assets	\$ 9,803,555	\$ 94,854	\$ 9,898,409
TOTAL ASSETS	\$ 11,199,619	\$ 196,939	\$ 11,396,558
LIABILITIES			
Current Liabilities:			
Accounts, salaries, and other payables	\$ 246,062	\$ 1,599	\$ 247,661
Due to other funds	236	-	236
Matured bonds and interest payable	48,120	-	48,120
Compensated absences	15,361	-	15,361
Revenue bonds (current portion)	475,000	-	475,000
Total Current Liabilities	\$ 784,779	\$ 1,599	\$ 786,378
Non Current Liabilities:			
Revenue bonds (net of unamortized discounts (and deferred amount on refunding))	\$ 4,610,000	\$ -	\$ 4,610,000
Total Non-Current Liabilities	\$ 4,610,000	\$ -	\$ 4,610,000
NET ASSETS			
Invested in capital assets, net of related debt	\$ 4,718,555	\$ 94,854	\$ 4,813,409
Restricted for deposits	2,454	-	2,454
Unrestricted	1,063,840	100,485	1,164,325
TOTAL NET ASSETS	\$ 5,804,849	\$ 195,339	\$ 5,999,989

The accompanying notes are an integral part of this statement.

STATEMENT H

CITY OF JENNINGS, LOUISIANA

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

For the Year Ended June 30, 2004

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	UTILITY FUND	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
Operating Revenues			
Charges for services:			
Water sales	\$ 743,673	\$ -	\$ 743,673
Sewer charges	599,631	-	599,631
Rental services	14,400	76,445	90,845
Other income	6,695	1,403	8,098
Other services	12,795	-	12,795
Total Operating Revenues	<u>\$ 1,377,194</u>	<u>\$ 77,847</u>	<u>\$ 1,455,041</u>
Operating Expenses			
Cost of sales and services	\$ 1,095,600	\$ 67,026	\$ 1,162,626
Administration	204,486	1,371	205,857
Depreciation	368,104	23,282	391,386
Total Operating Expenses	<u>\$ 1,668,189</u>	<u>\$ 91,680</u>	<u>\$ 1,759,869</u>
Operating Income	<u>\$ (290,995)</u>	<u>\$ (13,832)</u>	<u>\$ (304,828)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental	\$ 104,053	\$ -	\$ 104,053
Interest earnings	15,454	554	16,008
Interest expense	(158,526)	-	(158,526)
Loss on sale of fixed assets	(1,301)	-	(1,301)
Total Nonoperating Revenues (Expenses)	<u>\$ (40,320)</u>	<u>\$ 554</u>	<u>\$ (39,766)</u>
Income Before Contributions and Transfers	<u>\$ (331,315)</u>	<u>\$ (13,279)</u>	<u>\$ (344,594)</u>
Transfers In	\$ 749,236	\$ -	\$ 749,236
Transfer Out	(125,000)	-	(125,000)
Change in Net Assets	<u>\$ 292,921</u>	<u>\$ (13,279)</u>	<u>\$ 279,642</u>
Total Net Assets-Beginning	<u>\$ 5,511,928</u>	<u>\$ 208,418</u>	<u>\$ 5,720,347</u>
Total Net Assets-Ending	<u>\$ 5,804,849</u>	<u>\$ 195,140</u>	<u>\$ 5,999,989</u>

The accompanying notes are an integral part of this statement.

STATEMENT I

CITY OF JENNINGS, LOUISIANA

Statement of Cash Flows, Proprietary Funds

For the Year Ended June 30, 2004

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	UTILITY FUND	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 1,361,574	\$ 76,445	\$ 1,438,019
Payments to suppliers of goods and services	(762,118)	(54,577)	(816,695)
Payments to employees for services	(481,526)	(13,666)	(495,192)
Other receipts		1,402	1,402
Net Cash Provided by Operating Activities	\$ 117,930	\$ 9,604	\$ 127,534
Cash Flows From NonCapital Financing Activities			
Transfer to other funds	\$ (125,000)	\$ -	\$ (125,000)
Transfer from other funds	749,236	-	749,236
Net Cash Provided (used) by Noncapital Financing Activities	\$ 624,236	\$ -	\$ 624,236
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	\$ (204,472)	\$ (3,634)	\$ (208,106)
Principal paid on capital debt	(455,000)	-	(455,000)
Interest paid on capital debt	(158,542)	-	(158,542)
Net Cash Provided (used) by Capital and Related Financing Activities	\$ (818,014)	\$ (3,634)	\$ (821,648)
Cash Flows From Investing Activities			
Proceeds from sales and maturities of investments	\$ 200,000	\$ -	\$ 200,000
Purchase of investments	(200,000)	(80,000)	(280,000)
Interest on investments	15,454	554	16,008
Net Cash Provided (used) by Investing Activities	\$ 15,454	\$ (79,446)	\$ (63,992)
Net Increase in Cash and Cash Equivalents	\$ (60,394)	\$ (73,476)	\$ (133,870)
Cash and Cash Equivalents, Beginning of Year	211,081	94,457	305,538
Cash and Cash Equivalents, End of Year	\$ 150,687	\$ 20,981	\$ 171,668
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities			
Operating income	\$ (290,995)	\$ (13,832)	\$ (304,827)
Depreciation expense	368,104	23,282	391,386
(Increase) decrease in accounts receivable	(18,859)	-	(18,859)
(Increase) decrease in inventories	(2,292)	-	(2,292)
Increase (decrease) in customer deposits	3,239	-	3,239
Increase (decrease) in accounts payable	58,871	154	59,025
Increase (decrease) in due to other funds	(138)	-	(138)
Total Adjustments	\$ 408,925	\$ 23,436	\$ 432,361
Net Cash Provided by Operating Activities	\$ 117,930	\$ 9,604	\$ 127,534
Listing of Noncash Investing, Capital, and Financial Activities			
Purchase of equipment on account	\$ 37,356	\$ -	\$ 37,356

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jennings was incorporated May 2, 1888 and has adopted a Home Rule Charter according to Title 33 of the Louisiana Revised Statutes. The City operates under a Mayor-City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (streets and lighting), sanitation, health, culture-recreation, public improvements, planning and general administrative services.

The accounting and reporting policies of the City of Jennings conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Government Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting policies. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. FINANCIAL REPORTING ENTITY

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

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

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the City to impose its will on the organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the City has determined that the following component units are part of the reporting entity:

<u>Component Unit</u>	<u>Fiscal Year End</u>	<u>Criteria Used</u>
Industrial Development Board	June 30	1, 1a and 3
City Court and City Marshall	June 30	2 and 3

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The City has chosen to issue financial statements of the primary government (City) only; therefore, none of the previously listed component units are included in the accompanying financial statements. Financial statements for these component units can be obtained from the individual component units.

These primary government (City) financial statements include all major funds, aggregate non-major funds, and organizations for which the City maintains the accounting records. The Hotel/Motel Tax Fund for which the City budgets the activity and maintains the accounting records is considered part of the primary government (City).

GASB Statement 14 provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, the primary government's (City) financial statements are not a substitute for the reporting entity's financial statements. The City has chosen to issue financial statements of the primary government only. As such, these financial statements are not intended to and do not report on the reporting entity but rather are intended to reflect only the financial statements of the primary government (City).

Related Organization

Jennings Housing Authority - The Commissioners of the Authority are appointed by the Mayor, but the City does not provide funding, has no obligation for the debt issued by the Authority, and cannot impose its will. This authority has not been included in the reporting entity.

Joint Venture

Jefferson Davis Parish Landfill Commission - A jointly owned commission with the Jefferson Davis Parish Police Jury and the Cities of Welsh and Lake Arthur was formed to provide a solid waste disposal facility for its member-owners. This commission has not been included in the reporting entity.

B. BASIS OF PRESENTATION

The government-wide financial statements include the statement of net assets and the statement of activities. 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.

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

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

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

FUND FINANCIAL STATEMENTS (FFS)

The accounts of the City are organized on the basis of funds each of which is considered a separate accounting entity with a separate set of self-balancing accounts. The various funds of the City are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Non-major funds (by category) are summarized into a single column in the fund financial statements. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the City are described below:

MAJOR GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounting for in another fund.

Special Revenue Funds

-Street Fund-

The Street Fund is used to account for the receipt of 8.96 mill tax and the expenses related to streets, sidewalks, bridges, tree trimming, and other related items.

-1994 1% Sales Tax Fund-

The 1994 1% Sales Tax Fund is used to account for the receipt of a 1% sales tax which was authorized in 1994. This tax is to be collected for a period not to exceed twenty-two (22) years. At least \$500,000 annually is to be used for acquiring, constructing, extending, improving, maintaining and operating sewage collection and disposal facilities for the City, and/or to pay any bonded or funded indebtedness of the City incurred for sewage collection and disposal facilities. The balance is to be used for street construction and maintenance, drainage, heavy equipment purchases, jail operations, and police pension payments. In 1998, a referendum was approved to expand the authorized uses of excess funds over previous dedication to include acquiring, constructing, improving and/or maintaining the City's waterworks facilities. It further authorized the issuing of any bonded or funded indebtedness to accomplish the expanded purpose.

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Major Proprietary Funds

-Utility Fund-

The Utility Fund is used to account for the operation of the City's water and sewer system, which are supported by user charges and special taxes.

The Utility Fund is financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 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.

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 proprietary funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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. Principal operating revenues are charges to customers for water and sewer service. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, 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 municipality's policy to use restricted resources first, then unrestricted resources as they are needed.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

On the government-wide financial statements both governmental and business-type activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 measurable when the amount of the transaction can be determined. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Ad valorem taxes, franchise taxes, sales taxes, interest income, intergovernmental revenues and charges for service are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other governmental fund revenue items are recognized when cash is received by the government.

D. BUDGET AND BUDGETARY ACCOUNTING

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

1. The City Clerk prepares an operating departmentalized budget, a pay plan budget, and a capital improvements budget and submits these budgets to the Mayor and City Council no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the total proposed budgets is published and the public notified that the proposed budgets are available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. The City Clerk is authorized to transfer budgeted amounts within departments, within any fund except for salary items and capital improvement items which cannot be amended without City Council approval. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated requires the approval of the City Council.
6. Formal budgetary integration is used as a management control device by all funds during the year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts shown on the financial statements were amended by the City Council on September 9, 2003, February 10, 2004 and May 11, 2004.
8. All budgetary appropriations lapse at the end of each fiscal year.

E. DEPOSITS AND INVESTMENTS

The municipality's cash and cash equivalents include demand deposit accounts (including restricted assets) with financial institutions. State law and the municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments for the municipality are reported at cost which approximate fair value.

Further information regarding deposits and investments are disclosed in Note 4.

F. INTERFUND RECEIVABLES AND PAYABLES

Short-term cash loans between funds are considered temporary in nature. These amounts are reported as "due from/to other funds" on the balance sheet.

G. RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible amounts due for customers' utility receivables, since they are immaterial, are recognized as bad debts through a direct write-off at the time information becomes available which would indicate the uncollectability of the particular receivable. If ad valorem taxes become uncollectible, the property involved is seized and sold as of May 31 of the effected fiscal year, and therefore, all material ad valorem taxes are collected as of the end of the current fiscal year.

H. INVENTORY

Inventory in the General Fund consists of miscellaneous office supplies and merchandise held for resale by the Tupper Store. The inventory of the Tupper Store is valued at cost. Other inventories in the General and Special Revenue Funds consist of expendable supplies held for consumption.

Inventory in the Enterprise Funds consist of trash bags held for sale to general public and for use by various city departments to assist in the City's garbage collection function. Inventories are priced at cost (first-in, first-out).

I. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items consist of unexpired portions of insurance premiums. Prepaid items in the enterprise funds are recorded in both the government-wide financial statements and the fund financial statements. Prepaid items in the governmental funds are reported only on the government-wide financial statements.

J. RESTRICTED ASSETS

Certain proceeds of proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, cash deposited in a special water and sewer deposit account has been restricted to provide for the return of customer utility deposits.

K. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) acquired after June 30, 2003, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. In the fund financial statements, capital assets used in governmental fund operations are reported as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide 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 municipality maintains a threshold level of \$1,000 or more for capitalizing capital assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, & infrastructure	30 years
Building improvements	10 years
Buildings	30 years
Computers & office equipment	5-10 years
Machinery & equipment	5-15 years
Sewer & sewer improvements	10-40 years

L. CAPITALIZATION OF INTEREST COST

It is the policy of the City of Jennings to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets.

The amount of interest cost capitalized on major capital projects acquired/constructed with proceeds of restricted tax-exempt debt includes all interest cost of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use.

At June 30, 2004, there were no borrowings for assets under construction and no capitalized interest expense was recorded on the books.

M. COMPENSATED ABSENCES

The City provides leave for vacation, sickness and illness, personal business and as an award in their safety program. Vacation leave is provided for all employees with one or more years of service. It ranges from 10 to 20 days per year depending on length of service. Sickness and illness leave of 5 to 365 days is provided depending on length of service and the department in which the employee serves. Three days of leave is provided for personal business each year and two to four days of leave is awarded to employees

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

annually for safety on their job. It is the City's policy that leave does not accumulate except the amount earned in the current calendar year. Any leave not utilized by December 31st is lost.

The entire accrued leave liability for both governmental and proprietary fund employees are reported on the government-wide financial statements. The accrued leave as of the end of the fiscal year for proprietary fund employees are also recorded as a liability in the appropriate proprietary fund financial statement.

N. 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.

O. EQUITY CLASSIFICATIONS

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

P. ESTIMATES

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

Q. INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

R. REPORT CLASSIFICATION

Certain previously reported amounts for the year ended June 30, 2004, have been reclassified to conform to the June 30, 2004 classifications.

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following individual funds had actual expenditures over budgeted appropriations for the year ended June 30, 2004:

None

DEFICITS

The following individual funds have deficits in unreserved fund balance (net assets) at June 30, 2004.

None

(3) AD VALOREM TAXES

A. MILLAGE

Taxes are levied on November 15 and payable by December 31. The Jefferson Davis Parish Sheriff's Office bills and collects the property taxes on behalf of the City. The property tax millage in effect at June 30, 2004 according to Ordinance No. 1494, was as follows:

General Alimony	7.62	Mills
Street Maintenance	8.96	
Library Maintenance	<u>4.01</u>	
Total	<u>20.59</u>	Mills

There are no material taxes receivables as of June 30, 2004 as all taxes have either been collected or properties have been seized and sold.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. CASH AND CASH EQUIVALENTS

At June 30, 2004, the municipality had cash and cash equivalents (book balances) totaling \$1,065,461 as follows:

Demand deposits	\$1,064,019
Cash on hand	<u>1,442</u>
Total Cash & Cash Equivalents	<u>\$1,065,461</u>

These deposits are stated at cost, which approximates market.

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

B. INVESTMENTS

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the municipality or its agent in the municipality's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the municipality's name
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the municipality's name.

At June 30, 2004 the municipality had investments (book balances) totaling \$5,234,770 as follows:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Approximate Fair Value</u>
Time Deposits (Maturities exceeding 90 days)	3	\$ 5,234,770	\$ 5,234,770

C. SECURITY

Under state law, cash and investments (certificates of deposit) (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.

At June 30, 2004, the municipality has \$6,286,689 in cash and investments (certificates of deposit) (collected bank balances). These deposits are secured from risk by \$405,728 of federal deposit insurance and \$5,786,068 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The remaining balance of \$94,893 is not secured by the pledge of securities and is a violation of state law.

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

(5) RECEIVABLES

The receivable of \$826,512 at June 30, 2004, are as follows:

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

<u>Class of Receivable</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Taxes:		
Ad Valorem	\$ 177,090	\$ -
Sales & Use	126,470	-
Franchise	119,056	-
Intergovernmental-grants:		
State	8,158	-
Intergovernmental-other:		
Federal	99,955	-
State	46,569	-
Local	46,073	-
Accounts	-	183,101
Other	-	<u>20,040</u>
 Total	 <u>\$ 623,371</u>	 <u>\$ 203,141</u>

(6) INTERFUND RECEIVABLES/PAYABLES

Details related to interfund receivables and payables balances as of June 30, 2004, are presented as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Description</u>
Major Governmental Activities:			
General Fund	\$ 236		
Major Business Type Activities:			
Utility Fund		\$ 236	
			In the course of ordinary operations, the General Fund pays certain costs that are reimbursed by the water & sewer deposit account, a component of the utility fund. The accompanying amount represents the reimbursement that is due at year end.

(7) RESTRICTED ASSETS AND RESERVED RETAINED EARNINGS/FUND BALANCES

At June 30, 2004 restricted assets consisted of the following:

Cash-Water & Sewer Deposit Account	\$ 5,274
Investment-Certificate of Deposit, Water & Sewer Deposit Account	150,000
Investment, Certificate of Deposit, Utility Fund	<u>584,004</u>
Total	<u>\$ 739,278</u>

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The Water and Sewer Deposit account assets, a component of the Utility Fund, are restricted to pay customer deposits in the amount of \$156,350 at June 30, 2004. When a customer withdraws from the system, this deposit is refunded less the amount of any charges outstanding against the account. Due to the shortage of restricted assets available to refund customer deposits, \$2,454 of retained earnings has been reserved, which represents the excess of customer deposits over assets restricted for that purpose.

During the fiscal year ended June 30, 1996, the City issued a bond to the Department of Environmental Quality (DEQ) of the State of Louisiana to acquire funds necessary to construct a new wastewater treatment facility. A requirement of the loan and pledge agreement was the establishment of a sinking fund and reserve fund to insure the payment of the bond principal and interest. Since the project was completed in 1998, the permanent loan period has commenced. During this period, the agreement requires that an amount equal to the accrued interest and a prorata portion of the principal maturing must be established in the Sinking Fund until paid. In addition, a sum equal to 25% of the amount established in the Sinking Fund must be established in the Reserve Fund. Based on the current amortization schedule for principal and interest, the City must establish a Sinking Fund in the amount of \$142,701 and a reserve fund in the amount of \$441,303; for an aggregate required reserve of \$584,004. The City has restricted \$584,004 of investments in certificates of deposit that it has with Jeff Davis Bank to comply with the terms of the agreement.

(8) CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2004 for the City of Jennings is as follows:

	(Restated) Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,061,175	\$ 29,189	\$ -	\$ 1,090,364
Construction in progress	<u>31,581</u>	<u>157,744</u>	<u>-</u>	<u>189,325</u>
Total capital assets, not being depreciated	<u>\$ 1,092,756</u>	<u>\$ 186,933</u>	<u>\$ -</u>	<u>\$ 1,279,689</u>
Capital assets being depreciated				
Buildings	\$ 3,944,049	\$ 7,536	\$ -	\$ 3,951,585
Building improvements	206,450	35,757	-	242,207
Computers	218,820	32,922	33,815	217,927
Office equipment	160,184	25,974	11,597	174,561
Machinery & equipment	1,964,082	464,012	125,475	2,302,619
Vehicles	793,802	93,732	77,756	809,778
Infrastructure	<u>-</u>	<u>81,661</u>	<u>-</u>	<u>81,661</u>
Total capital assets being depreciated	<u>\$ 7,287,387</u>	<u>\$ 741,594</u>	<u>\$ 248,643</u>	<u>\$ 7,780,338</u>

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	(Restated) Beginning Balance	Additions	Deletions	Ending Balance
Less accumulated depreciation for:				
Buildings	\$ 1,288,190	\$ 134,293	\$ -	\$ 1,422,483
Building improvements	138,807	8,965	-	147,772
Computers	149,047	27,274	25,970	150,351
Office equipment	133,627	11,738	11,489	133,876
Machinery & equipment	1,583,759	150,155	73,659	1,660,255
Vehicles	504,421	107,283	77,756	533,948
Infrastructure	-	1,359	-	1,359
Total accumulated depreciation	<u>\$ 3,797,851</u>	<u>\$ 441,067</u>	<u>\$ 188,874</u>	<u>\$ 4,050,044</u>
Total capital assets being depreciated, net	<u>\$ 4,582,292</u>	<u>\$ 487,460</u>	<u>\$ 59,769</u>	<u>\$ 5,009,983</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 211,021	\$ -	\$ -	\$ 211,021
Construction in progress	-	179,153	-	179,153
Total capital assets, not being depreciated	<u>\$ 211,021</u>	<u>\$ 179,153</u>	<u>\$ -</u>	<u>\$ 390,174</u>
Capital assets being depreciated				
Buildings	\$ 268,100	\$ 6,750	\$ -	\$ 274,850
Building improvements	235,715	-	-	235,715
Computers	57,347	200	6,105	51,442
Office equipment	1,660	10,093	-	11,753
Machinery & equipment	12,228,152	74,923	4,743	12,298,332
Vehicles	133,092	23,817	-	156,909
Infrastructure	1,243,732	17,223	-	1,260,955
Total capital assets being depreciated	<u>\$ 14,167,798</u>	<u>\$ 133,006</u>	<u>\$ 10,848</u>	<u>\$ 14,289,956</u>
Less accumulated depreciation for:				
Buildings	\$ 191,398	\$ 9,127	\$ -	\$ 200,525
Building improvements	175,941	18,125	-	194,066
Computers	28,931	6,598	4,804	30,725
Office equipment	1,575	1,814	-	3,389
Machinery & equipment	3,406,070	309,086	4,743	3,710,413
Vehicles	62,355	20,230	-	82,585
Infrastructure	533,810	26,406	-	560,216
Total accumulated depreciation	<u>\$ 4,400,080</u>	<u>\$ 391,386</u>	<u>\$ 9,547</u>	<u>\$ 4,781,919</u>
Total business-type assets being depreciated, net	<u>\$ 9,978,739</u>	<u>\$ (79,227)</u>	<u>\$ 1,301</u>	<u>\$ 9,898,211</u>

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Depreciation expense of \$834,314 for the year ended June 30, 2004 was charged to the following governmental functions:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Culture & Recreation	\$ 68,908	\$ -
General Government	72,092	-
Public Safety	228,126	-
Public Works	71,938	-
Utility System	-	368,104
Zigler Office Building	-	<u>23,282</u>
Total	<u>\$ 441,064</u>	<u>\$ 391,386</u>

Beginning balance of governmental activity assets was restated by \$723,011 due to the omission of the Government Facilities Building and related land costs.

(9) CONSTRUCTION COMMITMENTS

The municipality has active construction projects as of June 30, 2004. At year end the commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Highway 102 Waterline Project	\$ 129,263	\$ 73,807
New Jennings High School Road Development Project	<u>732,880</u>	<u>75,222</u>
Total	<u>\$ 862,143</u>	<u>\$ 149,029</u>

(10) ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$484,781 at June 30, 2004, are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Salaries	\$ 12,940	\$ -	\$ 12,940
Withholdings	78,470	21,019	99,489
Accounts	125,520	55,616	181,136
Due to Customers	-	156,350	156,350
Retainage Payables	-	12,926	12,926
Other	<u>4,839</u>	<u>1,740</u>	<u>6,579</u>
Total	<u>\$ 221,769</u>	<u>\$ 247,651</u>	<u>\$ 469,420</u>

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

(11) LONG-TERM OBLIGATIONS

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

	<u>Bonds Payable</u>	<u>Compensated Absences</u>	<u>Total</u>
Long-term obligations at beginning of year	\$5,540,000	\$ 90,278	\$ 5,630,278
Additions	-	97,514	97,514
Deductions	<u>(455,000)</u>	<u>(90,278)</u>	<u>(545,278)</u>
Long-term obligations at end of year	<u>\$5,085,000</u>	<u>\$ 97,514</u>	<u>\$ 5,182,514</u>

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

	<u>Bonds Payable</u>	<u>Compensated Absences</u>	<u>Total</u>
Current portion	\$ 475,000	\$ 97,514	\$ 572,514
Long-term portion	<u>4,610,000</u>	<u>-</u>	<u>4,610,000</u>
Total	<u>\$5,085,000</u>	<u>\$ 97,514</u>	<u>\$ 5,182,514</u>

Bonds payable at June 30, 2004, are comprised of the following individual issues:

<u>Bond</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>	<u>Funding Source</u>
DEQ Public Improvement Sales Tax Bond	\$6,500,000	2.95%	3-1-2016	\$ 886,180	\$4,390,000	1994 1% Sales Tax Revenue
2003 Refunding Bonds	850,000	2.85%	4-1-2008	50,160	695,000	Revenue of Utility System

On December 1, 1995, the City entered into a loan and pledge agreement with the Department of Environmental Quality (DEQ) of the State of Louisiana and issued a Public Improvement Sales Tax Bond in the total amount of \$6,500,000. The bond shall bear interest at a rate of two and forty-five one hundredths percent (2.45%) per annum on the outstanding principal balance. In addition, an administrative fee of one-half of one percent (0.5%) per annum on the outstanding principal balance; for a combine rate of two and ninety-five one hundredths percent (2.95%) per annum on the outstanding principal balance.

This bond was issued to provide funding necessary to construct a new wastewater treatment facility and improve and repair existing lift stations and distribution system.

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The project was completed and put into operation in 1998. The final bond proceeds were received and the permanent loan period began and is scheduled to continue through March 1, 2016. During this period, scheduled payments of interest will be due on March 1 and September 1 and principal will be due on March 1 of each year.

The agreement requires the pledge of the revenue derived from the 1994 1% sales tax to insure repayment of the bond and its interest. In addition, the agreement requires that user charges be imposed on the recipients of the wastewater treatment facilities sufficient to operate and maintain the system, including any necessary replacement of portions of the system. The proceeds received from this bond, as well as all future proceeds, were, and will be, deposited into the City's utility fund which is responsible for operating and maintaining the wastewater treatment system. Sales tax revenue sufficient to pay the principal and interest of this bond will be transferred to the utility fund and this fund will be primarily responsible for making payments of interest and principal. As additional security, the agreement requires the establishment of a sinking and reserve fund (Note 7).

The City Council has authorized and issued Refunding Bonds, Series 2003 to Hancock Bank in the amount of \$850,000. The proceeds of this issue were used to fund the premature redemption of the Certificate of Indebtedness, together with accrued interest thereon, held by the Bank of New York and associated costs with the issuance. These bonds are secured by and payable from a pledge and dedication of the excess of annual revenues of the City above statutory, necessary and usual charges, and any other sources of revenue which maybe transferred to the Utility Fund of the City to pay the debt service on the Bonds.

The bonds shall bear interest at the rate of two and eighty-five one-hundredths percent (2.85%) per annum. Interest shall be due and payable on October 1 and April 1 of each year beginning October 1, 2003. The principal of the Bonds shall mature serially on April 1 of each year beginning on April 1, 2004. The bonds are non-callable for early redemption.

The annual requirements to amortize all bonds payable as of June 30, 2004 are as follows:

<u>Year Ending June 30, 2004</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2005	\$ 475,000	\$ 149,313	\$ 624,313
2006	495,000	135,465	630,465
2007	505,000	121,038	626,038
2008	515,000	106,315	621,315
2009	350,000	91,303	441,303
2010-2014	1,905,000	295,590	2,200,590
2015 to Maturity	<u>840,000</u>	<u>37,318</u>	<u>877,318</u>
Total	<u>\$ 5,085,000</u>	<u>\$ 936,342</u>	<u>\$ 6,021,342</u>

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At June 30, 2004, the statutory limit is \$14,834,397 and outstanding bonded debt funded by ad valorem taxes including interest, totaling \$6,021,342.

In addition, the municipality is legally restricted from incurring long-term bonded debt secured by sales and use taxes in excess of 75% of the avails of the tax. The municipality was within this 75% limitation when the sales tax bonds were issued.

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

(12) INTERFUND TRANSFERS

Details related to interfund transfers as of June 30, 2004 are presented as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Activities:		
General Fund	\$ 342,231	\$ 56,100
Street Fund	126,391	-
1994 1% Sales Tax Fund	-	1,036,558
Non-major Government Activities	<u>-</u>	<u>200</u>
Total Governmental Activities	\$ 468,622	\$1,092,858
Major Business-Type Activities		
Utility Fund	<u>749,236</u>	<u>125,000</u>
Total	<u>\$1,217,858</u>	<u>\$1,217,858</u>

(13) PENSION PLANS

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

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality, except for policemen, firemen and the City Judge, are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 per cent of final-average salary. 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 above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

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

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the City of Jennings is required to contribute at an actuarially determined rate. The current rate is 7.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City of Jennings are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Jennings contributions to the System under Plan B for the years ending June 30, 2004, 2003, and 2002, were \$96,267, \$78,970, and \$56,909, respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 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 above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to 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 City of Jennings is required to contribute at an actuarially determined rate. The current rate is 15.25 percent of annual covered payroll. The contribution requirements of plan members and the City of Jennings are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarially valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Jennings contributions to the System for the years ended June 30, 2004, 2003, and 2002, were \$125,282, \$78,989, and \$83,176, respectively, equal to the required contributions for each year.

C. Firefighters' Retirement System of Louisiana

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Funding Policy. Plan members are required by state statute to contribute 5.0 percent of their annual covered salary and the City of Jennings is required to contribute at an actuarially determined rate. The current rate is 21.00 percent of annual covered payroll. The contribution requirements of plan members and the City of Jennings are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Jennings' contributions to the System for the year ending June 30, 2004, 2003, and 2002, were \$49,777, \$21,726, and \$17,002, respectively, equal to the required contributions for each year.

D. Louisiana State Employees Retirement System

Plan Description. The City contributes to this plan on behalf of the city judge of the City Court of Jennings (Ward 2). This is a cost-sharing multiple-employer defined benefit pension that provides for retirement and disability benefits and death benefits to plan members and beneficiaries. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees Retirement System, P.O. Box 44213, Capitol Station, Baton Rouge, Louisiana 70804-4213 or by calling 1-800-256-3000.

Funding Policy. Plan members are required by state statute to contribute 11.5 percent of their annual covered salary and the City of Jennings is required to contribute at an actuarially determined rate. The current rate is 15.8 percent of annual covered payroll. The contribution requirements of plan members and the City of Jennings 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

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

prior fiscal year. The City of Jennings contributions to the System for the years ending June 30, 2004, 2003 and 2002, were \$1,081, \$942, and \$800, respectively, equal to the required contributions for each year.

(14) SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains two enterprise funds which provide utilities (water and sewer) and an office/apartment complex. Segment information for the year ended June 30, 2004 was as follows:

	<u>Public Utility</u>	<u>Office/ Apartment Complex</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$1,377,194	77,847	1,455,041
Depreciation	368,104	23,282	391,386
Operating Income (Loss)	(290,995)	(13,832)	(304,828)
Transfers:			
In	749,236	-	749,236
Out	(125,000)	-	(125,000)
Change in Net Assets	292,921	(13,279)	279,642
Property, Plant & Equipment:			
Additions	308,525	3,634	312,159
Deletions	10,848	-	10,848
Net Working Capital	611,294	100,486	711,780
Total Assets	11,199,619	196,739	11,396,358
Bonds Payable	5,085,000	-	5,085,000
Total Net Assets	5,804,849	195,140	5,999,989

(15) LANDFILL JOINT VENTURE

The City is a participant in a joint venture referred to as the Jefferson Davis Parish Sanitary Landfill Commission. This entity was chartered on February 17, 1984. The Commission's purpose is the establishment of a long-term plan for the disposal of solid wastes in Jefferson Davis Parish. According to the charter, each participant in the Commission is responsible for a pro rata share of any operating deficits. Likewise, any distributions of surpluses are also shared on a pro rata basis. Each participants pro rata share is based on the number of households within each participant's unit to the total number of households within all participating units. These proportions were determined using the 1980 U. S. Census as follows:

<u>Locality</u>	<u>Number of Households</u>	<u>Percentages</u>
Jennings	4,161	.421196
Welsh	1,167	.118129
Lake Arthur	1,212	.122684
Parish (excluding Jennings, Welsh, Lake Arthur, & Elton)	<u>3,339</u>	<u>.337991</u>
Totals	<u>9,879</u>	<u>1.000000</u>

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The Commission consists of six commissioners as follows: two residents of Jennings, one resident of Welsh, one resident of Lake Arthur, and two residents of Jefferson Davis Parish living outside the city limits of the Jennings, Welsh, Lake Arthur and Elton. The Commission members are to be appointed by the governing body of their place of residence.

The Commission has the power and authority to employ personnel, adopt its own budget and enter into agreements necessary for the operation of the Landfill. In certain instances, some agreements must be consented to by all six members of the Commission.

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2003 (the latest available audited financial statements) were as follows:

	<u>Total</u>	<u>Jennings (42.1196%)</u>
Total assets	\$ 3,721,293	\$ 1,567,394
Total liabilities	45,587	19,201
Total Equity	3,675,706	1,548,193
Total liabilities and equity	3,721,293	1,567,394
Total revenues	829,332	349,311
Total expenditures	877,525	369,610
Net increase in fund balance	(48,193)	(20,299)

As of December 31, 2003, the Commission had no long-term debt outstanding.

For the year ended June 30, 2004, the City received \$37,065 from this Commission as its proportionate distribution, plus \$10,000 for economic development.

(16) COMPENSATION PAID TO MAYOR AND CITY COUNCIL

Terry Duhon, Mayor	\$ 18,134
Greg Marcantel, Former Mayor	19,110
Michael Mire, Interim Mayor and Council	14,913
Clarence Levy, Jr.	6,000
Cynthia Hoffpauir	6,000
Arthur R. Berry	6,000
Wilbert L. Gilbeaux	6,000
Total	<u>\$ 76,157</u>

(17) RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The City is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended June 30, 2004. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

CITY OF JENNINGS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

(18) LITIGATION

The City is involved in law suits for personal injury and overtime pay for police officers. In the opinion of the City's attorney, these suits are without merit and/or adequately covered by liability insurance presently enforce by the City, except for policy deductibles and overtime claims which are considered to be immaterial.

A law suit for personal injury was filed in which the City was not named as a defendant but includes allegations that the City was at fault. Also, two lawsuits have been filed by female police officers alleging sexual harassment and misconduct by male police officers. The City's exposure on these suits is unknown.

(19) FEDERAL GRANT

The City participates in a federally assisted grant programs. These programs are subject to the program compliance audits by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City's management feels such disallowances, if any, will be immaterial. During the current fiscal year, expenditures of federal funds did not exceed \$500,000, and therefore, the City was not subject to the provisions of the Single Audit Act Amendments of 1996.

(21) ON-BEHALF PAYMENTS FOR SALARIES

During 1996 the City implemented GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. This standard requires the City to report in the financial statements on-behalf salary payments made by the State of Louisiana to certain groups of city employees. Supplementary salary payments are made by the state directly to certain groups of employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual contribution made by the state. For the year ended June 30, 2004 the state paid supplemental salaries to the City's police, firemen and city marshal. On-behalf payments recorded as revenues and expenditures in the general fund financial statements for the year ended June 30, 2004 totaled \$113,271.

Required Supplemental Information

CITY OF JENNINGS, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
Revenues				
Ad valorem	\$ 310,000	\$ 310,000	\$ 320,474	\$ 10,474
Sales and use	1,570,000	1,570,000	1,564,015	(5,985)
Other taxes, penalties, interest, etc.	561,000	561,000	652,189	91,189
Licenses and permits	370,000	370,000	403,881	33,881
Intergovernmental revenues:				-
Federal grants	387,222	102,815	74,312	(28,503)
State funds:				-
Fees, charges, and commissions for services	553,000	548,000	549,435	1,435
Other	312,680	343,241	395,113	51,872
Fines and forfeitures	72,000	72,000	68,390	(3,610)
Investment earnings	39,000	39,000	25,407	(13,593)
Other revenues	89,250	89,250	74,768	(14,482)
Total Revenues	\$ 4,264,152	\$ 4,005,306	\$ 4,127,984	\$ 122,678
Expenditures				
General government	715,994	\$ 730,474	\$ 669,166	\$ 61,308
Public safety	2,627,834	2,719,536	2,531,333	188,203
Public works	390,357	390,357	405,222	(14,865)
Cultural and recreation	480,075	480,075	441,422	38,653
Capital outlay	8,700	69,673	46,357	23,316
Other	48,192	39,560	39,560	-
Total Expenditures	\$ 4,271,152	\$ 4,429,675	\$ 4,133,060	\$ 296,615
Excess of Revenues Over Expenditures	\$ (7,000)	\$ (424,369)	\$ (5,076)	\$ 419,293
Other Financing Sources (Uses)				
Transfers in	200,000	\$ 342,231	\$ 342,231	\$ -
Transfers out	-	(56,100)	(56,100)	-
Total Other Financing Sources (uses)	\$ 200,000	\$ 286,131	\$ 286,131	\$ -
Net Change in Fund Balance	\$ 193,000	\$ (138,238)	\$ 281,055	\$ 419,293
Fund Balance (Deficit) at Beginning of Year	2,049,055	2,049,055	2,049,056	1
Fund Balance (Deficit) at End of Year	\$ 2,242,055	\$ 1,910,817	\$ 2,330,111	\$ 419,294

The accompanying notes are an integral part of this statement.

CITY OF JENNINGS, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
Street Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
Revenues				
Ad valorem	\$ 365,000	\$ 365,000	\$ 376,830	\$ 11,830
Intergovernmental revenues:				
State funds:				
Fees, charges, and commissions for services	700	700	1,317	617
Other	6,000	26,000	26,011	11
Investment earnings	13,000	13,000	8,458	(4,542)
Other revenues	500	500	965	465
Total Revenues	\$ 385,200	\$ 405,200	\$ 413,581	\$ 8,381
Expenditures				
Public works	\$ 559,966	\$ 516,466	\$ 507,971	\$ 8,495
Capital outlay	59,000	128,500	115,332	13,168
Other	9,625	9,625	11,620	(1,995)
Total Expenditures	\$ 628,591	\$ 654,591	\$ 634,923	\$ 19,668
Excess of Revenues Over Expenditures	\$ (243,391)	\$ (249,391)	\$ (221,343)	\$ 28,048
Other Financing Sources (Uses)				
Transfers in	\$ 126,391	\$ 126,391	\$ 126,391	\$ -
Total Other Financing Sources (uses)	\$ 126,391	\$ 126,391	\$ 126,391	\$ -
Net Change in Fund Balance	\$ (117,000)	\$ (123,000)	\$ (94,952)	\$ 28,048
Fund Balance (Deficit) at Beginning of Year	\$ 597,334	\$ 597,334	\$ 597,334	\$ 0
Fund Balance (Deficit) at End of Year	\$ 480,334	\$ 474,334	\$ 502,383	\$ 28,049

The accompanying notes are an integral part of this statement.

CITY OF JENNINGS, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
1994 1% Sales Tax Fund
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over(Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales and use	\$ 1,820,000	\$ 1,820,000	\$ 1,818,622	\$ (1,378)
Intergovernmental revenues:				
State funds:				
Other	100,000	100,000	58,768	(41,232)
Investment earnings	13,000	13,000	3,884	(9,116)
Total Revenues	<u>\$ 1,933,000</u>	<u>\$ 1,933,000</u>	<u>\$ 1,881,275</u>	<u>\$ (51,725)</u>
Expenditures				
Capital outlay	\$ 890,000	\$ 890,000	\$ 504,816	\$ 385,184
Total Expenditures	<u>\$ 890,000</u>	<u>\$ 890,000</u>	<u>\$ 504,816</u>	<u>\$ 385,184</u>
Excess of Revenues Over Expenditures	<u>\$ 1,043,000</u>	<u>\$ 1,043,000</u>	<u>\$ 1,376,459</u>	<u>\$ 333,459</u>
Other Financing Sources (Uses)				
Transfers out	\$ 1,031,741	\$ 1,031,741	\$ (1,036,558)	\$ -
Total Other Financing Sources (uses)	<u>\$ 1,031,741</u>	<u>\$ 1,031,741</u>	<u>\$ (1,036,558)</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ 2,074,741	\$ 2,074,741	\$ 339,901	\$ 333,459
Fund Balance (Deficit) at Beginning of Year	547,943	547,943	547,943	0
Fund Balance (Deficit) at End of Year	<u>\$ 2,622,684</u>	<u>\$ 2,622,684</u>	<u>\$ 887,844</u>	<u>\$ (1,734,840)</u>

The accompanying notes are an integral part of this statement.

Other Supplemental Schedules

CITY OF JENNINGS, LOUISIANA
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

	Special Revenue				Total Nonmajor Governmental Funds
	Library Fund	Capital Improvements Fund	Perpetual Care Fund	Hotel/Motel Tax Fund	
ASSETS					
Cash and cash equivalents	\$ 15,071	\$ 88,644	\$ 12,562	\$ 135,356	\$ 251,633
Investments	555,000	325,000	190,000	300,766	1,370,766
Receivables (net of allowances for uncollectibles)	1,090	20,588	-	61,258	82,936
Total Assets	\$ 571,160	\$ 434,232	\$ 202,562	\$ 497,380	\$ 1,705,335
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts, salaries, and other payables	\$ 3,961	\$ 8,580	\$ -	\$ 15,076	\$ 27,617
Total Liabilities	\$ 3,961	\$ 8,580	\$ -	\$ 15,076	\$ 27,617
Fund balances:					
Unreserved, undesignated	\$ 567,200	\$ 425,652	\$ 202,562	\$ 482,305	\$ 1,677,718
Total Fund Balances	\$ 567,200	\$ 425,652	\$ 202,562	\$ 482,305	\$ 1,677,718
Total Liabilities and Fund Balances	\$ 571,160	\$ 434,232	\$ 202,562	\$ 497,380	\$ 1,705,335

The accompanying notes are an integral part of this statement.

CITY OF JENNINGS, LOUISIANA
Nonmajor Governmental Funds

**Combining Statement of Revenues, Expenditures and
 and Changes in Fund Balances**

For the Year Ended June 30, 2004

	Special Revenue				Total Nonmajor Governmental Funds
	Library Fund	Capital Improvements Fund	Perpetual Care Fund	Hotel/Motel Tax Fund	
REVENUES					
Ad valorem	\$ 168,648	\$ -	\$ -	\$ -	\$ 168,648
Sales and use	-	254,607	-	53,036	307,643
Other taxes, penalties, interest, etc.	589	-	-	-	589
Intergovernmental revenues:					
State funds:					
State revenue sharing (net)	-	-	-	239,768	239,768
Other	11,198	38,056	-	-	49,254
Fines and forfeitures	838	-	-	-	838
Investment earnings	7,055	5,012	2,885	3,610	18,762
Other revenues	47,092	58,445	6,900	9,310	121,647
Total Revenues	\$ 235,421	\$ 358,120	\$ 9,685	\$ 305,924	\$ 907,150
EXPENDITURES					
General government	\$ -	\$ 5,698	\$ -	\$ -	\$ 5,698
Public safety	-	10,181	-	-	10,181
Public works	-	12,125	-	-	12,125
Cultural and recreation	149,519	45,236	-	-	194,754
Community development	-	21,350	-	-	21,350
Economic development	-	66,636	-	143,608	210,244
Capital outlay	26,250	269,846	-	4,210	300,306
Other	6,849	-	345	14,873	22,067
Total Expenditures	\$ 182,618	\$ 431,073	\$ 345	\$ 162,691	\$ 776,727
Excess (Deficiency) of Revenues Over Expenditures	\$ 52,804	\$ (74,953)	\$ 9,340	\$ 143,233	\$ 130,423
OTHER FINANCING SOURCES (USES)					
Transfers out	\$ -	\$ (200)	\$ -	\$ -	\$ (200)
Total Other Financing Sources and Uses	\$ -	\$ (200)	\$ -	\$ -	\$ (200)
Net Change in Fund Balance	\$ 52,804	\$ (75,153)	\$ 9,340	\$ 143,233	\$ 130,223
Fund balances - beginning	514,396	500,804	193,222	339,072	1,547,495
Fund balances - ending	\$ 567,200	\$ 425,652	\$ 202,562	\$ 482,305	\$ 1,677,718

The accompanying notes are an integral part of this statement.

Other Reports

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JENNINGS, LA 70546
(337) 824-5007

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

The Honorable Terry Duhon, Mayor
and Members of the City Council
City of Jennings, Louisiana

I have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate fund information of the City of Jennings, Louisiana as of and for the year ended June 30, 2004, which collectively comprise the City of Jennings' basic financial statements and have issued my report thereon dated January 31, 2005. 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 City of Jennings' basic 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 tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying corrective action plan for current year audit findings as items 2004-1 and 2004-2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Jennings' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, City Council, and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statutes 24:513 and 44:6, this report is a matter of public record and its distribution is not limited.

Edward L. Krielow
Certified Public Accountants

Jennings, Louisiana
January 31, 2004

CITY OF JENNINGS, LOUISIANA
Jennings, Louisiana

Current Year Findings, Recommendations, and Corrective Action Plan
For the Year Ended June 30, 2004

<u>Ref No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person</u>	<u>Anticipated Completion Date</u>
2004-1	The audit report was not submitted to the Legislative Auditor within six months of the close of the City's fiscal year of June 30, 2004 as required by LA R.S. 24:514. Due to the implementation of GASB 34 and numerous complications that resulted there from, the City failed to provide required information to its auditor until January 26, 2005. As a result, the report was not submitted until February 4, 2005.	The City's management is aware of the requirements set forth by LA R.S. 24:514 and will insure that future audit engagements are completed on a timely basis. Since the implementation of GASB 34, no future delays are anticipated.	Norman Cain	Immediately
2004-2	State law requires that public funds deposited with financial institutions be secured. As of June 30, 2004, the City's public funds on deposit with financial institutions were unsecured by \$25,809 at one institution and by \$69,085 at another institution which is a violation of LA R.S. 33:2929.	As of July 31, 2004 all of the City's funds on deposit at both institutions were fully secured as required by LA R.S. 33:2929.	Norman Cain	Immediately

CITY OF JENNINGS, LOUISIANA
 Jennings, Louisiana

Status of Prior Audit Findings
For the Year Ended June 30, 2004

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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No prior year audit findings.