

ALLEN ACTION AGENCY, INC.

A Component Unit of the Allen Parish Police Jury

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 2-2-05

Allen Action Agency, Inc.
A Component Unit of the Allen Parish Police Jury

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

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Lyndon Livingston
Executive Director

Linda Thompson
Chairperson

Management's Discussion and Analysis

As management of the Allen Action Agency, Inc., a component unit of the Allen Parish Police Jury, we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2004. Please read it in conjunction with the District's Financial Statements and Notes to the Financial Statements.

The MD & A is a new element of the Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. Certain comparative information between the current year (June 30, 2004) and the prior year (June 30, 2003) is required to be presented in the MD & A. However, since this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare comparative data and that Statement No. 34 permits the omission of prior year data in the year of implementation, the Agency's management has elected not to prepare comparative data due to the cost of adjusting prior year's financial statements to the new reporting model. Prior year comparative data will be available in the future to provide a more meaningful comparative analysis of the government-wide data.

Financial Highlights

- a. The Agency's assets exceeded its liabilities at the close of the fiscal year ended June 30, 2004 by \$468,334 (*net assets*). Of this amount, \$41,378 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to creditors.
- b. The District's total net assets decreased by \$13,119.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Allen Action Agency, Inc., a component unit of the Allen Parish Police Jury's basic financial statements. The Agency's basic financial statements are comprised of four components: 1) *Management's Discussion and Analysis* (this section), 2) the *Basic Financial Statements*, 3) *Notes to the Financial Statements* and 4) *Supplemental Information*.

Government-wide Financial Statements. The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements, for the first time, combine governmental fund's current financial resources with capital assets and long-term obligations.

"An Equal Opportunity Employer"
"Auxiliary aids and services are available upon request to individuals with disabilities"

The *Statement of Net Assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

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

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Allen Action Agency, Inc., a component unit of the Allen Parish Police Jury, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of the Agency belong to one category: *governmental funds*.

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

Because the focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the *Governmental Funds Balance Sheet* and the *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains three governmental funds. Information is presented in the *Governmental Fund Balance Sheet* and the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance* for the general fund and all special revenue funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the financial statements are a required part of the basic financial statements and can be found as noted in the table of contents of this report.

Government-wide Financial Analysis of the Agency

The following table reflects the condensed Statement of Net Assets for June 30, 2004. Prior year data is not presented in the implementation year but will be included in future years for comparison purposes:

ALLEN ACTION AGENCY, INC.
A component unit of the Allen Parish Police Jury
Condensed Statement of Net Assets
June 30, 2004

Current and other assets	\$ 56,893
Capital assets, net accumulated depreciation	<u>884,909</u>
Total assets	941,802
Liabilities-long term \$466,458 & other \$7,010	<u>473,468</u>
Net assets:	
Invested in capital assets	426,956
Unrestricted	<u>41,378</u>
Total net assets	<u>\$ 468,334</u>

Capital assets totaling \$884,909 represents the largest portion of net assets.

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

ALLEN ACTION AGENCY, INC.
A component unit of the Allen Parish Police Jury

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended June 30, 2004

Revenues:	
Program Revenues:	
Operating grants and contributions	\$ 1,447,446
Total revenues	<u>1,447,446</u>
Expenses:	
Governmental Activities	
Program services	<u>1,460,565</u>
Total expenses	<u>1,460,565</u>
Decrease in net assets	<u>(13,119)</u>
Net assets - beginning of year	<u>481,453</u>
Net assets - end of year	<u>\$ 468,334</u>

The Agency's net assets decreased by \$13,119 during the current fiscal year. Salaries of \$683,822 make up 47% of total expenses. Program services of \$380,100 make up an additional 26% of total expenses.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, the Agency's Governmental Fund reported an ending balance of \$49,883, a decrease of \$7,166 in comparison with the prior year. The amount of \$26,464 is unreserved fund balance, which is available for spending at the Agency's discretion.

The general fund is the chief operating fund of the Agency. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Total fund balance represents approximately 56% of total general fund expenditures.

The fund balance of the Allen Action Agency, Inc.'s, a component unit of the Allen Parish Police Jury, general fund decreased by \$4,277 during the current fiscal year. Key factors for the net decrease are as follows:

- General government expenditures in the general fund were more than general government revenues, but the decrease was less than in previous years.

The Agency is not required and did not adopt a budget for this fiscal year.

Capital Asset and Debt Administration

Capital Assets. The Agency's investment in capital assets as of June 30, 2004 amounts to \$884,909 (net of accumulated depreciation). This investment in capital assets includes the equipment, land and buildings.

Additional information the Agency's capital assets can be found in Note 5 of this report.

Economic Factors

The Allen Action Agency, Inc., a component unit of the Allen Parish Police Jury continues to expand its services to Allen Parish residents.

Requests for Information

This financial report is designed to provide a general overview of the Allen Action Agency, Inc., a component unit of the Allen Parish Police Jury's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Linda Thompson, Chairperson, Allen Action Agency, Inc., a component unit of the Allen Parish Police Jury, P. O. Box 540, Oberlin, Louisiana, 70655.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Allen Action Agency, Inc.
A Component Unit of the Allen
Parish Police Jury
Oberlin, Louisiana

We have audited the accompanying financial statements of the governmental activities, and each major fund of Allen Action Agency, Inc., a component unit of the Allen Parish Police Jury, as of and for the year ended June 30, 2004, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allen Action Agency, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Allen Action Agency, Inc. as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

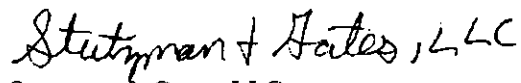
As described in Note 17, the Agency has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; and Statement No. 37, *Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2004, on our consideration of the Allen Action Agency, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Allen Action Agency, Inc.
A Component Unit of the Allen Parish Police Jury
Page 2

The management's discussion and analysis on pages 2 through 5, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Allen Action Agency, Inc. basic financial statements. The supplementary schedules, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Allen Action Agency, Inc. The supplementary schedules, as listed in the table of contents, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Stutzman & Gates, LLC
Sulphur, Louisiana
December 20, 2004

BASIC FINANCIAL STATEMENTS

ALLEN ACTION AGENCY, INC.
A Component Unit of the Allen Parish Police Jury
Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 49,804
Due from other governments	7,089
Capital assets (net)	<u>884,909</u>
TOTAL ASSETS	<u>941,802</u>
LIABILITIES	
Accounts, salaries, and other payables	7,010
Loans payable - due within one year	12,909
Loans payable - due in more than one year	445,044
Compensated absences payable - due in more than one year	<u>8,505</u>
TOTAL LIABILITIES	<u>473,468</u>
NET ASSETS	
Invested in capital assets, net of related debt	426,956
Unrestricted	<u>41,378</u>
TOTAL NET ASSETS	<u>\$ 468,334</u>

The accompanying notes are an integral part of this statement.

ALLEN ACTION AGENCY, INC.
A Component Unit of the Allen Parish Police Jury
Statement of Activities

For the Year Ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Change in Net Assets</u> <u>Governmental Activities</u>
Governmental Activities			
General government	\$ 48,282	\$ 43,474	\$ (4,808)
CSBG	75,796	74,695	(1,101)
Emergency Energy	334	370	36
Commodity Distribution	-	-	-
Food & Nutrition	65,878	72,351	6,473
Headstart	1,216,084	1,211,720	(4,364)
LiHeap	10,455	8,100	(2,355)
Weatherization	15,914	15,194	(720)
United Way	18,665	13,693	(4,972)
Headstart Parents	<u>9,157</u>	<u>7,849</u>	<u>(1,308)</u>
Total Governmental Activities	<u>\$ 1,460,565</u>	<u>\$ 1,447,446</u>	<u>(13,119)</u>
Change in Net Assets			(13,119)
Net assets - beginning			<u>481,453</u>
Net assets - ending			<u>\$ 468,334</u>

The accompanying notes are an integral part of this statement.

ALLEN ACTION AGENCY, INC.
A Component Unit of the Allen Parish Police Jury
Balance Sheet, Governmental Funds

June 30, 2004

	General Fund	CSBG Regular Grant	Emergency Energy	Commodity Distribution	Food and Nutrition Program	Headstart Fund	LiHeap Grant	Weatherization Program	United Way	Headstart Parents	Total Governmental Funds
ASSETS											
Cash and cash equivalents	\$ 17,490	\$ -	\$ 77	\$ -	\$ 27,827	\$ -	\$ 1,294	\$ -	\$ 1,938	\$ 1,178	\$ 49,804
Due from other funds	15,822	-	-	101	-	-	-	-	-	-	15,923
Due from other governments	-	5,489	-	-	-	-	764	836	-	-	7,089
TOTAL ASSETS	\$ 33,312	\$ 5,489	\$ 77	\$ 101	\$ 27,827	\$ -	\$ 2,058	\$ 836	\$ 1,938	\$ 1,178	\$ 72,816
LIABILITIES AND FUND BALANCES											
Accounts, salaries, and other payables	\$ 6,747	\$ 46	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217	\$ -	\$ 7,010
Due to other funds	101	3,102	230	-	2,914	-	4,704	4,872	-	-	15,923
Total Liabilities	6,848	3,148	230	-	2,914	-	4,704	4,872	217	-	22,933
Fund balances (deficit)											
Unreserved-General Fund	26,464	-	-	-	-	-	-	-	-	-	26,464
Reserved-Special revenue funds	-	2,341	(153)	101	24,913	-	(2,646)	(4,036)	1,721	1,178	23,419
Total Fund Balances (deficit)	26,464	2,341	(153)	101	24,913	-	(2,646)	(4,036)	1,721	1,178	49,883
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 33,312	\$ 5,489	\$ 77	\$ 101	\$ 27,827	\$ -	\$ 2,058	\$ 836	\$ 1,938	\$ 1,178	\$ 72,816

The accompanying notes are an integral part of this statement.

ALLEN ACTION AGENCY, INC.
A Component Unit of the Allen Parish Police Jury
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2004

	General Fund	CSRBG Regular Grant	Emergency Energy	Commodity Distribution	Food and Nutrition Program	Headstart Fund	Lillicap Grant	Weatherization Program	United Way	Headstart Parents	Total Governmental Funds
REVENUES											
Intergovernmental revenues:											
Federal grants	\$ -	\$ 74,695	\$ -	\$ -	\$ 72,351	\$ 940,343	\$ 8,100	\$ 15,194	\$ 13,693	\$ -	\$ 1,124,376
In-kind contributions	-	-	-	-	-	271,377	-	-	-	-	271,377
Other revenues	43,474	-	370	-	-	-	-	-	-	7,849	51,693
Total Revenues	43,474	74,695	370	-	72,351	1,211,720	8,100	15,194	13,693	7,849	1,447,446
EXPENDITURES											
Salaries	13,105	54,072	-	-	31,182	573,349	8,154	3,960	-	-	683,822
Fringe benefits	827	7,544	-	-	-	59,387	799	361	-	-	68,918
Travel	-	5,408	-	-	120	6,643	166	434	-	-	12,771
Program services	33,819	7,714	334	-	34,576	263,367	1,309	11,159	18,665	9,157	380,100
Capital outlay	-	-	-	-	-	23,158	-	-	-	-	23,158
Debt service	-	-	-	-	-	14,439	-	-	-	-	14,439
Other	-	-	-	-	-	271,377	27	-	-	-	271,404
Total Expenditures	47,751	74,738	334	-	65,878	1,211,720	10,455	15,914	18,665	9,157	1,454,612
Excess (Deficiency) of Revenues over (Under) Expenditures	(4,277)	(43)	36	-	6,473	-	(2,355)	(720)	(4,972)	(1,308)	(7,166)
Net Change in Fund Balance	(4,277)	(43)	36	-	6,473	-	(2,355)	(720)	(4,972)	(1,308)	(7,166)
Fund balances (deficit) - beginning of year	30,741	2,384	(189)	101	18,440	-	(291)	(3,316)	6,693	2,486	57,049
Fund balances (deficit) - end of year	\$ 26,464	\$ 2,341	\$ (153)	\$ 101	\$ 24,913	\$ -	\$ (2,646)	\$ (4,036)	\$ 1,721	\$ 1,178	\$ 49,883

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

ALLEN ACTION AGENCY, INC.
A Component Unit of the Allen Parish Police Jury

Notes to the Financial Statements
As of and for the Year Ended June 30, 2004

INTRODUCTION

Allen Action Agency, Inc., incorporated under the laws of the State of Louisiana on August 19, 1965, is a nonprofit organization as defined by Section 501(c)(3) of the Internal Revenue Code. The laws of the State of Louisiana exempt the Agency from Louisiana taxation. The majority of this agency's funding comes from government grants renewable annually.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Allen Action Agency, Inc. is considered a component unit of the Allen Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Allen Action Agency, Inc. 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. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 available when they are collectible within the current period or soon enough thereafter to

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

pay liabilities of the current period. For this purpose, the Agency 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.

All other revenue items are considered to be measurable and available only when cash is received by the Agency.

The Allen Action Agency, Inc. reports the following governmental funds:

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following are the funds which comprise the Agency's Special Revenue Funds:

CSBG Regular Fund

The CSBG Fund accounts for funds granted by the United States Department of Health and Human Services under the Community Services Block Grant Program. This program provides funds to assist in ameliorating the causes and consequences of poverty.

Emergency Energy Assistance Fund

The Emergency Energy Assistance Fund accounts for funds donated to local utility companies by the public to provide to low income families.

Commodity Distribution Fund

The Commodity Fund accounts for commodity distributions granted by the United States Department of Agriculture under the Food Distribution Program.

Food & Nutrition Program Fund

This fund accounts for funds received from the State of Louisiana Department of Education to be used for the expenditures relating to the operations of the child care food program.

Headstart Fund

The Headstart Fund accounts for monies received from the U.S. Department of Health and Human Services. This program provides comprehensive health, educational, nutritional, social and other services primarily to economically disadvantaged preschool children.

LiHeap Fund

The LiHeap Fund accounts for funds granted by the United States Department of Health and Human Services under the Low Income Home Energy Assistance Block Grant Program. This program assists low income persons with meeting the costs of home energy.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Weatherization Program Fund

This fund accounts for funds granted by the Louisiana Department of Social Services and U.S. Department of Energy. This program attempts to conserve energy and reduce the impact of rising energy costs on low-income persons through the installation of energy-conserving measures in their dwellings.

Emergency Food and Shelter (United Way) Fund

The Emergency Food and Shelter (United Way) Fund accounts for funds granted by the Emergency Food and Shelter National Board Program.

Headstart Parents Fund

This fund accounts for monies generated by activities of Headstart participants' parents, which is under the control of the Allen Action Agency, Inc.'s Board of Directors.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

C. Deposits and Investments

The entity's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Allen Action Agency, Inc.'s investment policy allow the entity to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

All receivables from other governments are considered collectible due to their nature.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Allen Action Agency, Inc. maintains a threshold level of \$1,000 or \$500 for capitalizing capital assets, depending on the funding agencies requirements.

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>
Buildings and building improvements	7 - 30 years
Furniture and fixtures	3 - 7 years
Vehicles	5 years
Equipment	3 - 7 years

F. Compensated Absences

The Allen Action Agency, Inc. has the following policy relating to vacation and sick leave:

Employees accrue vacation and sick leave based on years of service. Employees with three years of service or less accrue 8 hours of vacation and sick leave, three to five years of service permits 10 hours of accrual, and employees with five or more years of service accrue 12 hours.

The Allen Action Agency, Inc.'s recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following termination approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

G. Long-Term Obligations

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

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

H. Fund Equity

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. 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.

J. Reconciliations of Government-Wide and Fund Financial Statements

The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Fund balances of all governmental funds	\$ 49,883
Increase for capitalization of assets	1,175,422
Decrease for accumulated depreciation	(288,513)
Decrease for compensated absences	(8,505)
Decrease for note payable	<u>(457,953)</u>
Net assets	<u>\$ 468,334</u>

The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Net change in fund balances-total governmental funds	\$ (7,166)
--	------------

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(19,067)
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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.	(1,325)
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	\$ <u>14,439</u>
Change in net assets of governmental activities	<u>\$ (13,119)</u>

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Allen Action Agency, Inc. is not required and did not adopt a budget for this fiscal year.

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2004, the Allen Action Agency, Inc. has cash and cash equivalents (book balances) totaling \$49,804 as follows:

Demand deposits	\$ 49,804
Interest-bearing demand deposits	-
Time deposits	-
Other	<u>-</u>
Total	<u>\$ 49,804</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2004, the Allen Action Agency, Inc. has \$94,841 in deposits (collected bank balances). These deposits are secured from risk by \$94,841 of federal deposit insurance.

NOTE 4 - RECEIVABLES

The receivables of \$7,089 at June 30, 2004, are as follows:

<u>Class of Receivable</u>	<u>CSBG Fund</u>	<u>LiHeap Fund</u>	<u>Weatherization Fund</u>	<u>Total</u>
Intergovernmental-grants:				
Federal	\$ <u>5,489</u>	\$ <u>764</u>	\$ <u>836</u>	\$ <u>7,089</u>
Total	<u>\$ 5,489</u>	<u>\$ 764</u>	<u>\$ 836</u>	<u>\$ 7,089</u>

All amounts are considered collectible due to their nature.

NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 10,039	\$ -	\$ -	\$ 10,039
Total capital assets, not being depreciated	<u>\$ 10,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,039</u>
Capital assets being depreciated				
Buildings	\$ 724,808	\$ -	\$ -	\$ 724,808
Improvements other than buildings	21,169	-	-	21,169
Machinery and equipment	<u>394,247</u>	<u>23,158</u>	<u>-</u>	<u>417,405</u>
Total capital assets being depreciated	<u>\$ 1,140,224</u>	<u>\$ 23,158</u>	<u>\$ -</u>	<u>\$ 1,163,382</u>
Less accumulated depreciation for:				
Buildings	\$ 67,035	\$ 24,160	\$ -	\$ 91,195
Improvements other than buildings	4,093	764	-	4,857
Machinery and equipment	<u>175,159</u>	<u>17,301</u>	<u>-</u>	<u>192,460</u>
Total accumulated depreciation	<u>246,287</u>	<u>42,225</u>	<u>-</u>	<u>288,512</u>
Total capital assets being depreciated, net	<u>\$ 893,937</u>			<u>\$ 874,870</u>

Depreciation expense of \$42,225 for the year ended June 30, 2004, was charged to the following governmental functions:

General government	\$ 531
CSBG Grant	1,058
Headstart	<u>40,636</u>
Total	<u>\$ 42,225</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

Interfund transfers occur routinely between the general fund and other funds to temporarily loan these funds money until sufficient revenue inflows are available.

The composition of interfund balances as of June 30, 2004 is as follows:

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

<u>Due To/From Other Funds:</u> <u>Receivable Fund</u>	<u>Payable Fund</u>		
General Fund	CSBG	\$	3,102
General Fund	LiHeap		4,704
General Fund	Weatherization		4,872
General Fund	Food and Nutrition		2,914
Commodity	General Fund		101
General Fund	Energy		230
	Total		<u>\$ 15,923</u>

NOTE 7 - ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$7,010 at June 30, 2004, are as follows:

	<u>General Fund</u>	<u>CSBG Fund</u>	<u>United Way Fund</u>	<u>Total</u>
Withholdings	\$ 6,538	\$ -	\$ -	\$ 6,538
Accounts	<u>209</u>	<u>46</u>	<u>217</u>	<u>472</u>
Total	<u>\$ 6,747</u>	<u>\$ 46</u>	<u>\$ 217</u>	<u>\$ 7,010</u>

NOTE 8 - LONG-TERM OBLIGATIONS

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

	<u>Notes Payable</u>	<u>Compensated Absences</u>	<u>Total</u>
Long-term obligations at Beginning of Year	\$ 472,392	\$ 7,181	\$ 479,573
Additions	-	3,783	3,783
Deductions	<u>14,439</u>	<u>2,459</u>	<u>16,898</u>
Long-term obligations at End of Year	<u>\$ 457,953</u>	<u>\$ 8,505</u>	<u>\$ 466,458</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>Notes Payable</u>	<u>Compensated Absences</u>	<u>Total</u>
Current portion	\$ 12,909	\$ -	\$ 12,909
Long-term portion	<u>445,044</u>	<u>8,505</u>	<u>453,549</u>
Total	<u>\$ 457,953</u>	<u>\$ 8,505</u>	<u>\$ 466,458</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Notes payable principal and interest payable in the next fiscal year are \$12,909 and \$18,228, respectively. The individual issues are as follows:

<u>Notes Payable</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Principal Outstanding</u>	<u>Funding Source</u>
Cameron State Bank Collateral - Headstart building and land, Oakdale, LA; net book value at 06/30/04 of \$622,764.	\$ 599,879	4.032%	10/20/2026	\$ 457,953	Headstart

The notes payable are due as follows:

<u>Year ending June 30,:</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2005	\$ 12,909	\$ 18,228	\$ 31,137
2006	13,440	17,697	31,137
2007	13,992	17,145	31,137
2008	14,566	16,571	31,137
2009	15,164	15,973	31,137
2010-2014	85,693	69,992	155,685
2015-2019	104,798	50,887	155,685
2020-2024	128,162	27,523	155,685
2025-2026	69,229	3,424	72,653
Total	\$ 457,953	\$ 237,440	\$ 695,393

Interest expense for the year was \$19,028 and included in the Headstart Special Revenue Fund.

NOTE 9 - IN-KIND CONTRIBUTIONS

The Agency records in-kind contributions for the Headstart Program for various personal services rendered, space donated, travel expenditures incurred, and other miscellaneous donations. These amounts have been recorded in the Headstart Special Revenue Fund.

NOTE 10 - RISK MANAGEMENT

Management has represented that there is no litigation pending against the Agency at June 30, 2004. Furthermore, the Agency's management believes that any potential lawsuits would be adequately covered by insurance. The Agency has not retained the risk of loss in relation to insurance matters. Their policy is to purchase commercial insurance for any of their needs. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11- JUDGEMENTS, CLAIMS AND SIMILAR CONTINGENCIES

The Agency receives revenues from various Federal and State grant programs which are subject to final review and approval as to allowability of expenditures by the respective grantor agencies. Any settlements or expenses arising out of a final review are normally recognized in the period in which agreed upon between the parties involved. Also, it is management's opinion that any audits by the grantor agencies would not produce disallowed program costs and liabilities to such an extent that they would materially affect the Agency's financial position.

NOTE 12 - ECONOMIC DEPENDENCY

The Agency receives the majority of its revenue from funds provided through grants. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the Agency receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Agency will receive in the next fiscal year.

NOTE 13 - OTHER REQUIRED DISCLOSURES

Deficit Fund Balances - The following funds have deficit fund balances due to timing of expenditure recognition:

(1) LiHeap Grant Fund \$2,646, (2) Weatherization Grant Fund \$4,036 and (3) Emergency Energy Grant Fund \$153.

NOTE 14 - DEFERRED COMPENSATION PLAN

The Agency maintains a 403(b) plan for its employees of the Headstart program and Agency administrative personnel. Under this plan, there is no fixed dollar amount of retirement benefits. Employee and employer contributions determine the retirement benefits available. Contributions are invested in mutual funds, which will be administered by the custodian. Participants are eligible by completing one month of service with the Agency. Employee contributions cannot exceed 10% of compensation. Employer contributions are discretionary. Vesting is automatic. Participants may receive loans from their individual accounts up to the lesser of \$50,000 or 50% of their account balance. Loans will bear interest at a rate determined by the plan administrator. The term of loans may not exceed 5 years.

NOTE 15- SUBSEQUENT EVENTS

In September 2004, the Agency expended funds from the U.S. Department of Health and Human Services in its Headstart program in the amount of \$101,302 that were not utilized for their approved purpose.

NOTE 16- RESERVED AND DESIGNATED FUND BALANCES

Reserved Fund Balances - The special revenue fund balances are reflected as reserved for restricted purposes due to the nature of the funds. All of the special revenue funds are grant programs, whose funds are required to be expended for specific purposes outlined in the various grant documents.

NOTE 17 - CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2004, the Agency has implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB No. 34 creates new basic financial statements for reporting on the Agency's financial activities.

The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements.

The implementation of GASB No. 34 caused the opening fund balances at June 30, 2003, to be restated in terms of "net assets" in the amount of \$424,404.

NOTE 18 - INCOME TAX STATUS

The Allen Action Agency, Inc., a non-profit corporation, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

SUPPLEMENTARY SCHEDULES

Allen Action Agency, Inc.
A Component Unit of the Allen Parish Police Jury

Schedule of Compensation Paid Board Members
For the Year Ended June 30, 2004

During the period covered by our audit, there were no payments made to or on behalf of board members.

The accompanying notes are an integral part of this statement.

Allen Action Agency, Inc.
 A Component Unit of the Allen Parish Police Jury

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

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services Headstart*	93.600	\$ 940,343
<u>Other Federal Awards</u>		
U.S. Department of Health and Human Services Passed Through the State Department of Social Services:		
LiHeap	93.568	10,455
Passed Through the State Department of Labor:		
Community Services Block Grant	93.569	74,738
U.S. Department of Agriculture Passed Through the State Department of Education:		
Child Care Food	10.558	65,878
Department of Energy Passed Through the State Department of Social Services:		
Weatherization	81.042	15,914
Federal Emergency Management Agency Passed through the Emergency Food and Shelter Program National Board:		
Food and Shelter	83.523	<u>18,665</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u>1,125,993</u>

*Major federal financial assistance program

The accompanying notes are an integral part of this statement.

Allen Action Agency, Inc.
A Component Unit of the Allen Parish Police Jury

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Note 1 General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Allen Action Agency, Inc. The Allen Action Agency, Inc. reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2004. All federal financial assistance received directly from federal agencies is included on the schedule as well as federal financial assistance passed through other government agencies. The Headstart Program was considered a major federal program for the Allen Action Agency, Inc.

Note 2 Basis of Accounting

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

Note 3 Relationship to Federal Financial Reports

A reconciliation of total expenditures of federal awards reported in the schedule of expenditures of federal awards to total expenses per statement of revenues, expenditures, and changes in fund balances-governmental funds is as follows:

Total expenses per combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types	\$ 1,454,612
Less: In-kind contributions	271,377
Non-federal expenses	<u>57,242</u>
Total expenditures per schedule of federal awards	<u>\$ 1,125,993</u>

The total in-kind contributions of \$271,377 were for federal programs.

The accompanying notes are an integral part of this statement.

OTHER REPORTS

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

To the Board of Directors
Allen Action Agency, Inc.
A Component Unit of the Allen Parish Police Jury
Oberlin, Louisiana

We have audited the financial statements of the governmental activities and each major fund of the Allen Action Agency, Inc., as of and for the year ended June 30, 2004, which collectively comprise the Allen Action Agency, Inc.'s basic financial statements and have issued our report thereon dated December 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allen Action Agency, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Allen Action Agency, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-1 I/C.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2004-1 I/C to be a material weakness.

Compliance and Other Matters

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

To the Board of Directors
Allen Action Agency, Inc.
A Component Unit of the Allen Parish Police Jury
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This report is intended solely for the information and use of management, board members of Allen Action Agency, Inc., federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Stutzman & Gates, LLC

Stutzman & Gates, I.I.C
Sulphur, Louisiana
December 20, 2004

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

To the Board of Directors
Allen Action Agency, Inc.
A Component Unit of the Allen Parish Police Jury
Oberlin, Louisiana

Compliance

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

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

In our opinion, Allen Action Agency, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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

Allen Action Agency, Inc.
A Component Unit of the Allen Parish Police Jury
Page 2

noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Stutzman & Gates, LLC

Stutzman & Gates, LLC
Sulphur, Louisiana
December 20, 2004

ALLEN ACTION AGENCY, INC.
A Component Unit of the Allen Parish Police Jury

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

We have audited the basic financial statements of the Allen Action Agency, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated December 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of OMB Circular A-133. Our audit of the financial statements as of June 30, 2004 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

Financial Statements

Type of auditor's report issued: Unqualified

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material weaknesses? X Yes No

Other Conditions? Yes X No

Compliance

Compliance Material to Financial Statements? Yes X No

b. Federal Awards

Internal Control

Material weaknesses? Yes X No

Reportable conditions? Yes X No

Type of opinion on compliance for major programs: Unqualified

Are there findings required to be reported in accordance with Circular A-133, section .510(a)? Yes X No

Was a management letter issued? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
93.600	Headstart - U.S. Dept. of Health and Human Services

ALLEN ACTION AGENCY, INC.
A Component Unit of the Allen Parish Police Jury

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

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

Is the auditee a "low-risk" auditee, as
defined by OMB Circular A-133? Yes No

Section II - Financial Statement Findings

2004-1 I/C (Material weakness)

Segregation of duties: Because of the lack of a large staff, more specifically accounting personnel, there is a problem with segregation of duties necessary for proper controls. We do note that this situation is inherent to most agencies of this type and is difficult to solve due to the funding limitations of the Agency. We recommend that the Executive Director as well as the Board of Directors take an active interest in the review of all of the financial information. This was also a prior year finding.

Section III - Federal Award Findings and Questioned Costs

Audit findings required to be reported under section .510(a) of Circular A-133:

There are no findings to be reported under this section at June 30, 2004.

ALLEN ACTION AGENCY, INC.
A Component Unit of the Allen Parish Police Jury

Management's Corrective Action Plan
For the Year Ended June 30, 2004

2004-1 I/C

Contact person - Lyndon Livingston, Executive Director

Corrective action - The executive director and board members will continue to take an active role in the day to day operations of the Agency. This corrective action plan is in effect as of December 20, 2004.

ALLEN ACTION AGENCY, INC.
A Component Unit of the Allen Parish Police Jury

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

2003-1 I/C (Ongoing) Segregation of duties:

Corrective action taken - Due to lack of sufficient financial resources, this finding cannot be resolved. See 2004-1 I/C.