

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana

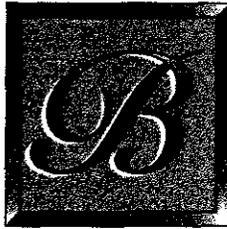
Annual Financial Report
For the Fiscal Year Ended
September 30, 2004

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 6/22/05

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Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
DeQuincy, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and major funds of City of DeQuincy, Louisiana, as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and major funds of the City of DeQuincy, Louisiana, as of September 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 9, 2005, on our consideration of City of DeQuincy, Louisiana's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

As described in Note 1. B. to the basic financial statements, the City of DeQuincy, Louisiana, adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Statements and Management's Discussion and Analysis for State and Local Governments*. This results in a change in the format and content of the basic financial statements.

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Honorable Mayor and City Council
DeQuincy, Louisiana
Page 2

The management's discussion and analysis and budgetary comparison information on pages 3 through 7, 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City of DeQuincy, Louisiana, 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 State, Local governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Broussard & Company

Lake Charles, Louisiana
February 9, 2005

CITY OF DEQUINCY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently know facts. A comparative analysis will be provided in future years when prior year information is available. The MD&A should be read in conjunction with the financial statements that begin on page 9.

FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,208,764 (*net assets*). Of this amount, \$1,251,181 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$ 1,082,916.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$527,729, an increase of \$12,311 in comparison with the prior year. Approximately 98% of this total amount, \$516,406, is *available for spending* at the City's discretion (*unreserved fund balance*).
- At September 30, 2004, unreserved fund balance for the general fund was \$416,492, or 16% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

With the implementation of Governmental Accounting Standards Board Statement 34, a government's presentation of financial statements has been greatly changed. This is the first year that the City of DeQuincy, Louisiana has adopted the new format. The new statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance the City's accountability.

Government-Wide Financial Statements

The government-wide financial statements (see Pages 10-11) are designed to be similar to private-sector business in that all governmental activities are consolidated into one column. These statements, for the first time, combine governmental fund's current financial resources with capital assets and long-term obligations.

The Balance Sheet (page 10) presents information on all the government's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 11), presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The governmental activities reflect the City's basic services include general government, public safety, highways and streets, sanitation, culture and recreation. These services are financed primarily with taxes and charges for services.

Fund Financial Statements

A fund is grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types. The City has included all funds as major.

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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Proprietary Funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City's proprietary funds are classified as enterprise funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for gas, sewer, airport and revolving loans.

The basic enterprise fund financial statements are presented on pages 17-25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found starting on page 26 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Government-Wide Financial Analysis

The table below provides a summary view of the balance sheet as of September 30, 2004:
 City of DeQuincy, Louisiana
 Condensed Balance Sheet

	Governmental Activities	Business-type Activities
Current and Other Assets	\$ 541,393	\$ 1,227,597
Capital Assets	<u>3,442,625</u>	<u>6,026,765</u>
Total Assets	<u>3,984,018</u>	<u>7,254,362</u>
Long-Term Liabilities Outstanding	616,451	2,112,998
Other Liabilities	<u>26,253</u>	<u>273,914</u>
Total Liabilities	<u>642,704</u>	<u>2,386,912</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,826,174	3,966,912
Restricted	11,323	153,174
Unrestricted	<u>503,817</u>	<u>747,364</u>
Total Net Assets	<u>\$ 3,341,314</u>	<u>\$ 4,867,450</u>

Approximately 83% of the City's net assets as of September 30, 2004, reflects the government's investment in capital assets (land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Another 2% of the government's net assets are subject to external restrictions on how they may be used. The remaining 15% of net assets, referred to as unrestricted, may be used to meet the ongoing obligations of the government to citizens and creditors.

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

	Government al Activities	Business-type Activities
Revenues:		
Program Revenue:		
Charges for Services	\$ 241,104	\$ 1,315,477
Operating Grants and Contributions		
Capital Grants and Contributions	766,164	335,323
General Revenues:		
Property Taxes	69,785	60,000
Sales and franchise taxes	713,109	376,875
Licenses and permits	133,426	-
Intergovernmental	13,506	-
Grants and Contributions Not Restricted to Specific Programs	250,000	-
Other	121,697	32,262
Transfers	217,457	(217,457)
Total Revenues	<u>\$2,526,248</u>	<u>\$ 1,902,480</u>

	Governmental Activities	Business-type Activities
Expenses:		
General Government	\$ 415,826	\$
Public Safety	646,407	
Highways and streets	330,023	
Sanitation	155,538	
Culture and Recreation	50,816	
Interest on Long-Term Debt	17,526	
Gas		941,896
Sewer		598,054
Airpark		188,796
Revolving loan fund		930
Total Expenses	1,616,136	1,729,676
Change in net assets	910,112	172,804
Net Assets 10/01/2003	3,073,906	4,694,644
Net Assets 09/30/2004	\$ 3,984,018	\$4,867,448

The City's net assets decreased \$1,082,916 during the current fiscal year, primarily due to capital grants received.

Financial Analysis of City's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$527,729, an increase of \$12,311 in comparison with the prior year. Approximately 98% of this total amount (\$516,406) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder is reserved for debt service.

The general fund decreased \$73,554 to a total fund balance of \$427,815. Special revenue fund balances totaled \$99,914, an increase of \$85,865 in comparison with the prior year.

Proprietary Funds: The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term information about financial status.

General Fund Budgetary Highlights

The total difference between the original general fund budget and the final amended budget was an increase in appropriations of \$1,071,069. This increase was funded by an increase in revenues of \$200,000 (grants); \$619,000 in bond proceeds; and \$252,069 in transfers in from other funds.

Budgeted revenues exceeded actual revenues by \$106,299.

Budgeted expenditures exceeded actual expenditures by \$99,257.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets as of September 30, 2004, amounts to \$9,469,390 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and infrastructure (drainage systems). The total increase in the City's investment in capital assets for the current fiscal year was \$1,872,742.

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

- Construction of public safety building at a cost of over \$1,000,000.
- The purchase of fire equipment for a cost over \$300,000.
- Airpark improvements in excess of \$300,000.

City of DeQuincy, Louisiana			
Capital Assets (net of depreciation) as of September 30, 2004			
	Governmental Activities	Business-type Activities	Total
Land	\$	\$ 158,825	\$ 158,825
Buildings and systems	154,661	3,966,745	4,121,406
Improvements other than buildings	668,683	1,832,048	2,500,731
Autos and trucks	338,677	23,398	362,075
Machinery and equipment	200,694	11,999	212,693
Infrastructure	831,769		831,769
Construction in progress	1,248,141	33,750	1,281,891
Total	\$ 3,442,625	\$ 6,026,765	\$ 9,469,390

Long-Term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of \$2,729,449.

The City issued \$619,000 in revenue bonds during the current fiscal year.

As of September 30, 2004, City bonds are unrated.

Economic Factors and Next Year's Budgets and Rates

The City's contribution rate for eligible employees of the Municipal Retirement System increased from 8% to 15%. The City's contribution rate for eligible employees of the Municipal Police Retirement System increased from 15.25% to 21.5%.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Tammy Pinder, City Clerk, City of DeQuincy, P.O. Box 968, DeQuincy, LA 70633.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

**CITY OF DEQUINCY, LOUISIANA
BALANCE SHEET**

As of September 30, 2004

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 277,010	\$ 108,536	\$ 385,546
Investments	167,038	620,382	787,420
Accounts receivable, net of allowance for uncollectibles	86,022	155,993	242,015
Other assets		29,687	29,687
Restricted assets:			
Cash and cash equivalents	11,323	116,003	127,326
Investments	-	94,635	94,635
Capital assets, net of accumulated depreciation			
Land	-	158,825	158,825
Buildings	154,661	-	154,661
Improvements other than buildings	668,683	1,832,048	2,500,731
Gas Distribution system	-	3,501	3,501
Sewer system	-	3,963,244	3,963,244
Autos and trucks	338,677	23,398	362,075
Machinery and equipment	200,694	11,999	212,693
Infrastructure	831,769	-	831,769
Construction in progress	1,248,141	33,750	1,281,891
Notes receivable	-	102,361	102,361
Total assets	\$ 3,984,018	\$ 7,254,362	\$ 11,238,380
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 78,516	\$ 71,031	\$ 149,547
Accrued expenses	34,663	21,322	55,985
Customer deposits		94,635	94,635
Internal balances	(86,926)	86,926	-
Noncurrent liabilities:			
Due within one year	10,736	167,250	177,986
Due in more than one year	605,715	1,945,748	2,551,463
Total liabilities	642,704	2,386,912	3,029,616
Net assets:			
Invested in capital assets, net of related debt	2,826,174	3,966,912	6,793,086
Restricted for debt service/future loans	11,323	153,174	164,497
Unrestricted	503,817	747,364	1,251,181
Total net assets	3,341,314	4,867,450	8,208,764
Total liabilities and net assets	\$ 3,984,018	\$ 7,254,362	\$ 11,238,380

The accompanying notes are an integral part of the financial statements.

CITY OF DEQUINCY
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental activities:						
General government	415,826	-	-	(415,826)	-	(415,826)
Public safety	646,407	86,958	-	206,715	-	206,715
Highways and streets	330,023	-	766,164	(330,023)	-	(330,023)
Sanitation	155,538	154,146	-	(1,392)	-	(1,392)
Culture and recreation	50,816	-	-	(50,816)	-	(50,816)
Interest on long-term debt	17,526	-	-	(17,526)	-	(17,526)
Total governmental activities	1,616,136	241,104	-	(608,868)	-	(608,868)
Business-type activities:						
Gas	941,896	1,131,349	-	-	189,453	189,453
Sewer	598,054	172,688	-	-	(425,366)	(425,366)
Airpark	188,796	11,440	-	335,323	157,967	157,967
Revolving loan fund	930	-	-	-	(930)	(930)
Total business-type activities	1,729,676	1,315,477	-	335,323	(78,876)	(78,876)
Total primary government	3,345,812	1,556,581	-	1,101,487	(78,876)	(687,744)
General revenues:						
Property taxes				69,785	60,000	129,785
Sales and franchise taxes				713,109	376,875	1,089,984
Licenses and permits				133,426	-	133,426
Intergovernmental				13,506	-	13,506
Grants and contributions not restricted to specific programs				250,000	-	250,000
Unrestricted investment earnings				4,346	16,993	21,339
Other				117,351	15,269	132,620
Transfers				217,457	(217,457)	-
Total general revenues and transfers				1,518,980	251,680	1,770,660
Change in net assets				910,112	172,804	1,082,916
Net assets - beginning				2,417,650	5,460,039	7,877,689
Prior period adjustment - correction of error				13,552	(765,393)	(751,841)
Net assets - beginning, as restated				2,431,202	4,694,646	7,125,848
Net assets - ending				3,341,314	4,867,450	8,208,764

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

**CITY OF DEQUINCY, LOUISIANA
GOVERNMENTAL FUNDS**

**Balance Sheet
As of September 30, 2004**

	General	Special Revenue	Capital Projects	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 234,627	\$ 42,383	\$ -	\$ 277,010
Investments	96,838	70,200	-	167,038
Accounts receivable	81,542	4,480	-	86,022
Due from other funds	95,000	-	-	95,000
Cash - restricted	11,323	-	-	11,323
Total assets	\$ 519,330	\$ 117,063	\$ -	\$ 636,393
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 72,407	\$ 6,109	\$ -	\$ 78,516
Accrued expenses	12,150	9,924	-	22,074
Due to other funds	6,958	1,116	-	8,074
Total liabilities	91,515	17,149	-	108,664
Fund balance:				
Reserved for debt service	11,323	-	-	11,323
Unreserved-undesignated	416,492	99,914	-	516,406
Total fund balance	427,815	99,914	-	527,729
Total liabilities and fund balance	\$ 519,330	\$ 117,063	\$ -	\$ 636,393

The accompanying notes are an integral part of the financial statements.

**CITY OF DEQUINCY, LOUISIANA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE BALANCE SHEET - GOVERNMENT WIDE**

September 30, 2004

Total fund balance for governmental funds at September 30, 2004	\$	527,729
Total net assets reported for governmental activities in the balance sheet is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Capital assets, net of \$1,665,880 accumulated depreciation		3,442,625
Long-term liabilities at September 30, 2004:		
Bonds payable	(616,451)	
Compensated absences payable	<u>(12,589)</u>	<u>(629,040)</u>
Total net assets of governmental activities at September 30, 2004	\$	<u>3,341,314</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF DEQUINCY, LOUISIANA
GOVERNMENTAL FUNDS**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2004**

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenues:				
Taxes	\$ 405,418	\$ 377,476	\$ -	\$ 782,894
Licenses and permits	133,426	-	-	133,426
Intergovernmental	13,506	-	-	13,506
Charges for services	154,146	-	-	154,146
Fines and forfeits	86,958	-	-	86,958
Miscellaneous	103,519	13,832	-	117,351
Interest earned	4,097	249	-	4,346
Grants	834,931	-	181,233	1,016,164
Total revenues	1,736,001	391,557	181,233	2,308,791
Expenditures:				
Current:				
General government	401,901	-	-	401,901
Public Safety	2,034,012	-	-	2,034,012
Sanitation	155,538	-	-	155,538
Highways and streets	-	305,692	-	305,692
Culture and recreation	34,576	-	-	34,576
Capital outlay	-	-	181,233	181,233
Debt Service:				
Principal	2,459	-	-	2,459
Interest	17,526	-	-	17,526
Total expenditures	2,646,012	305,692	181,233	3,132,937
Excess (deficiency) of revenues over expenditures	(910,011)	85,865	-	(824,146)
Other financing sources (uses):				
Bond proceeds	619,000	-	-	619,000
Operating transfers in	301,689	-	-	301,689
Operating transfers out	(84,232)	-	-	(84,232)
Total other financing sources (uses)	836,457	-	-	836,457
Net change in fund balances	(73,554)	85,865	-	12,311
Fund balance at beginning of year	497,028	17,427	-	514,455
Prior period adjustment - correction of an error	4,341	(3,378)	-	963
Fund balance at beginning of year - restated	501,369	14,049	-	515,418
Fund balance at end of year	\$ 427,815	\$ 99,914	\$ -	\$ 527,729

The accompanying notes are an integral part of these financial statements.

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

September 30, 2004

Total net changes in fund balances at September 30, 2004 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$	12,311
The change in net assets reported for governmental activities in the statement of activities is different because:		
<p>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.</p>		
Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 1,696,825	
Depreciation expense for the year ended September 30, 2004	<u>(182,483)</u>	1,514,342
<p>Governmental funds report bonded debt repayments as expenditures. However, this expenditure does not appear in the statement of activities since the payment is applied against the bond payable on the balance sheet</p>		
		2,459
<p>Governmental funds report debt proceeds as revenues. However, this revenue does not appear in the statement of activities since the debt is reported on the balance sheet</p>		
		<u>(619,000)</u>
Total changes in net assets at September 30, 2004 per Statement of Activities	\$	<u>910,112</u>

CITY OF DEQUINCY, LOUISIANA
BALANCE SHEET
Proprietary Funds
Business-type Activities - Enterprise Funds
As of September 30, 2004

		<u>Gas Utility Revenue Fund</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$	(3,309)
Investments		81,719
Notes receivable, current portion		-
Accounts receivable		114,247
Other assets		40
Due from other funds		-
Total current assets		<u>192,697</u>
Restricted assets-cash and investments:		
Customer deposits - investments		94,635
Reserve funds and contingency funds - cash		-
Total restricted assets		<u>94,635</u>
Property, plant and equipment:		
Land		11,000
Construction in progress		-
Buildings and improvements		1,737
Gas distribution system		581,557
Autos and trucks		106,468
Machinery and equipment		241,800
Sewer system		-
		<u>942,562</u>
Less accumulated depreciation		(916,064)
Net property, plant and equipment		<u>26,498</u>
Other assets:		
Notes receivable-due after one year		<u>-</u>
Total assets	\$	<u><u>313,830</u></u>

The accompanying notes are an integral part of the financial statements.

<u>Sewer Utility Revenue Fund</u>	<u>Industrial Airpark Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
\$ 44,894	\$ (798)	\$ 67,749	\$ 108,536
394,527	144,136	-	620,382
	18,834	27,857	46,691
41,746	-	-	155,993
29,646	1	-	29,687
151,474	-	-	151,474
<u>662,287</u>	<u>162,173</u>	<u>95,606</u>	<u>1,112,763</u>
-	-	-	94,635
<u>116,003</u>	-	-	<u>116,003</u>
<u>116,003</u>	-	-	<u>210,638</u>
-	147,825	-	158,825
-	33,750	-	33,750
-	3,115,120	-	3,116,857
-	-	-	581,557
43,747	-	-	150,215
-	8,425	-	250,225
<u>4,530,405</u>	-	-	<u>4,530,405</u>
<u>4,574,152</u>	<u>3,305,120</u>	-	<u>8,821,834</u>
<u>(587,509)</u>	<u>(1,291,496)</u>	-	<u>(2,795,069)</u>
<u>3,986,643</u>	<u>2,013,624</u>	-	<u>6,026,765</u>
-	-	55,670	55,670
<u>\$ 4,764,933</u>	<u>\$ 2,175,797</u>	<u>\$ 151,276</u>	<u>\$ 7,405,836</u>

Gas Utility
Revenue Fund

LIABILITIES AND NET ASSETS

Liabilities:

Current liabilities (payable from current assets):

Notes payable (due within one year)	\$ -
Accounts payable	42,787
Payroll liabilities	8,603
Other payables	-
Due to other funds	143,400
Total current liabilities (payable from current assets)	<u>194,790</u>

Current liabilities (payable from restricted assets):

Customer deposits	94,635
Bonds payable (due within one year)	-
Total current liabilities (payable from restricted assets)	<u>94,635</u>

Long-term liabilities:

Notes and bonds payable (due after one year)	-
Total liabilities	<u>289,425</u>

Net assets:

Invested in capital assets, net of related debt	26,498
Restricted for debt service/future loans	-
Unrestricted	(2,093)
Total net assets	<u>24,405</u>

Total liabilities and net assets	<u>\$ 313,830</u>
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The accompanying notes are an integral part of the financial statements.

<u>Sewer Utility Revenue Fund</u>	<u>Industrial Airpark Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
\$ -	\$ 53,145	\$ -	\$ 53,145
12,310	15,934	-	71,031
12,719	-	-	21,322
-	-	-	-
-	95,000	-	238,400
<u>25,029</u>	<u>164,079</u>	<u>-</u>	<u>383,898</u>
-	-	-	94,635
114,105	-	-	114,105
<u>114,105</u>	<u>-</u>	<u>-</u>	<u>208,740</u>
1,945,748	-	-	1,945,748
<u>2,084,882</u>	<u>164,079</u>	<u>-</u>	<u>2,538,386</u>
1,926,790	2,013,624	-	3,966,912
1,898	-	151,276	153,174
751,363	(1,906)	-	747,364
<u>2,680,051</u>	<u>2,011,718</u>	<u>151,276</u>	<u>4,867,450</u>
<u>\$ 4,764,933</u>	<u>\$ 2,175,797</u>	<u>\$ 151,276</u>	<u>\$ 7,405,836</u>

CITY OF DEQUINCY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
Business-type Activities - Enterprise Funds
For the Year Ended September 30, 2004

	Gas Utility Revenue Fund	Sewer Utility Revenue Fund	Industrial Airpark Fund	Revolving Loan Fund	Total
Operating revenues:					
Charges for services	\$ 1,131,349	\$ 172,688	\$ -	\$ -	\$ 1,304,037
Rent	-	-	11,440	-	11,440
Taxes	-	376,875	60,000	-	436,875
Interest earned	-	-	-	7,674	7,674
Loan recovery	-	-	-	5,482	5,482
Total operating revenues	<u>1,131,349</u>	<u>549,563</u>	<u>71,440</u>	<u>13,156</u>	<u>1,765,508</u>
Operating expenses:					
Personal services	100,715	178,120	-	-	278,835
Natural gas purchased	694,381	-	-	-	694,381
Materials and supplies	15,926	16,280	2,211	-	34,417
Heat, light, and power	6,449	-	5,399	-	11,848
Depreciation	10,001	124,044	86,996	-	221,041
Bad debts	20,806	10,572	-	-	31,378
Other services and charges	93,618	152,849	89,728	930	337,125
Total operating expenses	<u>941,896</u>	<u>481,865</u>	<u>184,334</u>	<u>930</u>	<u>1,609,025</u>
Operating income (loss)	<u>189,453</u>	<u>67,698</u>	<u>(112,894)</u>	<u>12,226</u>	<u>156,483</u>
Nonoperating revenues (expenses):					
Miscellaneous revenues and grants	1,948	165	335,323	-	337,436
Interest on investments	1,413	14,958	622	-	16,993
Interest and fiscal charges	-	(116,189)	(4,462)	-	(120,651)
Total nonoperating revenues (expenses)	<u>3,361</u>	<u>(101,066)</u>	<u>331,483</u>	<u>-</u>	<u>233,778</u>
Income (loss) before operating transfers	192,814	(33,368)	218,589	12,226	390,261
Transfers:					
Transfers from (to) other funds	(180,463)	13,006	(50,000)	-	(217,457)
Net income (loss)	12,351	(20,362)	168,589	12,226	172,804
Net assets at beginning of year	(29,164)	3,507,022	1,843,129	139,050	5,460,037
Prior period adjustment - correction of error	41,217	(806,610)	-	-	(765,393)
Net assets at beginning of year - restated	<u>12,053</u>	<u>2,700,412</u>	<u>1,843,129</u>	<u>139,050</u>	<u>4,694,644</u>
Net assets at end of year	<u>\$ 24,404</u>	<u>\$ 2,680,050</u>	<u>\$ 2,011,718</u>	<u>\$ 151,276</u>	<u>\$ 4,867,448</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DEQUINCY, LOUISIANA
STATEMENT OF CASH FLOWS
Proprietary Funds
Business-type Activities - Enterprise Funds
For The Year Ended September 30, 2004

	Gas Utility Revenue Fund	Sewer Utility Revenue Fund
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 1,116,654	\$ 163,241
Payments to suppliers	(764,256)	(164,484)
Payments to employees	(98,650)	(165,401)
Other	166	374,773
Net Cash Provided (Used) by Operating Activities	253,914	208,129
Cash Flows from Noncapital Financing Activities:		
Miscellaneous revenues and grants	1,948	165
Operating transfers in (out)	(180,463)	13,006
(Decrease) in customer deposits	(402)	-
Advances from (to) other funds	42,025	(46,076)
Net Cash Provided by (used in) noncapital financing activities	(136,892)	(32,905)
Cash Flows From Investing Activities:		
Interest income	1,413	14,958
(Purchase) redemption of investments	(134,730)	78,661
Net Cash Provided (Used) by Investing Activities	(133,317)	93,619
Cash Flows From Capital and Related Financing Activities:		
Capital expenditures for plant and equipment	(11,923)	-
Principal payments on notes and revenue bonds	-	(106,212)
Interest paid	-	(116,189)
Miscellaneous	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,923)	(222,401)
Net Increase (Decrease) in Cash	(28,218)	46,442
Cash and Cash Equivalents - Beginning of Year	24,909	114,455
Cash and Cash Equivalents - End of Year	\$ (3,309)	\$ 160,897
Cash and Cash Equivalents:		
Cash - unrestricted	\$ (3,309)	\$ 44,894
Cash - restricted	-	116,003
	\$ (3,309)	\$ 160,897

The accompanying notes are an integral part of the financial statements.

<u>Industrial Airpark Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
\$ 71,440	\$ 15,121	\$ 1,366,456
(91,729)	-	(1,020,469)
-	-	(264,051)
-	(930)	374,009
<u>(20,289)</u>	<u>14,191</u>	<u>455,945</u>
335,323	-	337,436
(50,000)	-	(217,457)
-	-	(402)
-	-	(4,051)
<u>285,323</u>	<u>-</u>	<u>115,526</u>
622	-	16,993
77,485	-	21,416
<u>78,107</u>	<u>-</u>	<u>38,409</u>
(345,227)	-	(357,150)
(50,444)	-	(156,656)
(4,462)	-	(120,651)
-	-	-
<u>(400,133)</u>	<u>-</u>	<u>(634,457)</u>
(56,992)	14,191	(24,577)
56,194	53,558	249,116
<u>\$ (798)</u>	<u>\$ 67,749</u>	<u>\$ 224,539</u>
\$ (798)	67,749	\$ 108,536
-	-	116,003
<u>\$ (798)</u>	<u>\$ 67,749</u>	<u>\$ 224,539</u>

**CITY OF DEQUINCY, LOUISIANA
STATEMENT OF CASH FLOWS**

For The Year Ended September 30, 2004

	Gas Utility Revenue Fund	Sewer Utility Revenue Fund
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income	\$ 189,453	\$ 67,698
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	10,001	124,044
Provisions for bad debts	1,481	10,572
(Increase) decrease in receivables	(17,718)	(9,447)
(Increase) decrease in other assets	68,231	-
Increase (decrease) in accounts payable and other accrued expenses	2,466	15,262
Total Adjustments	64,461	140,431
Net Cash Provided (Used) by Operating Activities	\$ 253,914	\$ 208,129
Supplemental Disclosure:		
Cash paid for interest (net of amount capitalized)	\$ -	\$ 112,952

The accompanying notes are an integral part of the financial statements.

<u>Industrial Airpark Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
\$ (112,894)	\$ 12,226	\$ 156,483
86,996		221,041
	1,965	12,053
		(25,200)
		68,231
<u>5,609</u>		<u>23,337</u>
<u>92,605</u>	<u>1,965</u>	<u>299,462</u>
<u>\$ (20,289)</u>	<u>\$ 14,191</u>	<u>\$ 455,945</u>
<u>\$ 4,462</u>	<u>\$ -</u>	<u>\$ 117,414</u>

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements
September 30, 2004

Note 1 - Summary of Significant Accounting Policies

The City of DeQuincy, Louisiana was incorporated July 1, 1950 under the provisions of the Lawrson Act. The City operates under a Mayor-Council form of government, which took effect in 1991.

The accounting and reporting policies of the City of DeQuincy, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, the General Accounting Office's *Standards for Audits of Governmental Organizations, Programs, Activities and Functions*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and City Council of the city of DeQuincy, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Consistent with this criteria, the city of DeQuincy, Louisiana has no component units as of September 30, 2004.

B. Basis of Presentation

The accompanying basic financial statements of the City of DeQuincy, Louisiana, have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments", issued June 1999. As a result, an entirely new financial presentation format has been implemented.

Government-Wide Financial Statements

The Balance Sheet and the Statement of Activities display information about the City as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements
September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued):

through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the City, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The City uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the City are classified into governmental and proprietary. The emphasis on fund financial statements is on major funds, each displayed on a separate column. The City of DeQuincy, Louisiana has included all funds as major.

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 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. This fund accounts for the receipt and use of proceeds of the City's one percent sales tax.

Capital Projects Funds - Capital Projects Funds account for all financial resources segregated for the acquisition or construction of major capital projects. This fund is to account for funds received and expenditures made for improvements to the fire department from CDBG grant funds.

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's enterprise funds consist of:

Gas Utility Revenue Fund - accounts for the provision of gas services.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements
September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued):

Sewer Utility Fund – accounts for the provision of sewer services.

Industrial Airpark Fund – accounts for the provision of airpark services.

Revolving Loan Fund – accounts for monies received for the purpose of making loans to qualified businesses.

C. Basis of Accounting

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

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

All governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued):

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

Cash and Cash Equivalents – For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 and expenses during the reporting period. Actual results could differ from those estimates.

D. Budget Policies and Budgetary Accounting

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

1. Prior to September 30, the City Clerk submits to the Mayor and Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is conducted to obtain comments.
4. Prior to September 30, the budget is legally enacted through passage of an ordinance.
5. Any revisions that alter total expenditures of any fund must be approved by the Mayor and Town Council. Expenditures cannot legally exceed appropriations on a fund level.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
7. All budgetary appropriations lapse at the end of each fiscal year.
8. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the Mayor and Council.
9. Budgets are amended to remain in compliance with state law.

Encumbrance accounting is not used.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued):

E. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits and state and national banks' certificates of deposit.

Investments:

Louisiana state statutes authorize the City to invest in United States bonds, treasure notes, or certificates, or time certificates of deposit of state banks organized under the Laws of Louisiana and national banks having the principal office in the State of Louisiana, investment as stipulated in R.S. 39:1271, or any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State of Louisiana and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at fair marked value.

F. Property Taxes

Property taxes levied in any one year are recognized as revenues of that year.

G. Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable.

H. Fixed Assets

City of DeQuincy:

Capital assets, which include property, plant, equipment, and infrastructure assets (drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued):

Property, plant and equipment of the City is depreciated using the straight line method over the following useful lives:

Building and improvements	10 – 40 years
Leasehold improvements	10 years
Gas distribution system	10 - 25 years
Autos and trucks	3 - 5 years
Machinery and equipment	5 – 10 years
Infrastructure	40 years

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 and expenses during the reporting period. Actual results could differ from those estimates.

L. Inventory

City of DeQuincy:

Purchases of various operating supplies are regarded as expenditures at the time of purchase, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. Such amounts are not material in relation to total assets.

M. Sick Pay

Sick pay is based on the number of years of service and is carried as follows:

First 3 years	1 day per month up to 12 days per calendar year
More than 3 years	Up to 15 days for any calendar year

Salary paid for sick will be based on an eight hour work day. Sick leave can be carried forward to the succeeding year or years with no limit as to the amount accumulated. No employee shall be paid for accumulated leave when he resigns or is terminated. When an employee retires, he is to be paid for accumulated sick leave as follows:

Ten to nineteen years	30 days
Twenty to thirty years	60 days
Thirty years or more	90 days

At September 30, 2004, employees of the City have accumulated \$24,095 in leave privileges, computed in accordance with GASB Statement 16.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 2 - Cash and Cash Equivalents and Investments

Cash and cash equivalents of the City are classified into three categories to give an indication of the level of risk assumed at year end. Category 1 includes deposits insured or collateralized with securities which are held by the City or its agent in the name of the City. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes uncollateralized deposits including any securities held by the financial institution, or by its trust department or agent, but not in the name of the city.

Cash:

The City of DeQuincy maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district.

The City's bank demand and time deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the city's name.

Balances at September 30, 2004 are as follows:

	Category			Bank Amount	Carrying Balance
	1	2	3		
Deposits	\$ 288,189	\$ -0-	\$370,556	\$ 658,745	\$ 512,872

Credit risk categories:

The City's investments are categorized below in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed at year end. Category 1, which represents the lowest level of risk, includes investments and deposits that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments with the securities held by the financial institution's trust department or agent in the City's name. Category 3, which represents the

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 2 - Cash and Cash Equivalents and Investments (Continued)

greatest level of risk, includes uninsured and unregistered investments or deposits which are not protected by collateral, or for which securities are not held in the City's name.

	Category			Cost	Carrying Balance
	1	2	3		
Investments:					
Certificate of deposit	\$244,946	\$ -0-	\$265,503	\$510,449	\$510,981
LAMP				\$220,058	\$220,058
U.S. Treasury securities	<u>\$151,016</u>			<u>\$151,016</u>	<u>\$151,016</u>
	<u>\$395,962</u>	<u>\$ -0-</u>	<u>\$265,503</u>	<u>\$881,523</u>	<u>\$882,055</u>

Investments:

Included in investments is \$220,058 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of significant Accounting Policies). In accordance with GASB codification Section I50.165 the investment in LAMP at September 30, 2004, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1933. The corporation is governed by various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to highly liquid to give its participants immediate access to their account balances.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 2 - Cash and Cash Equivalents and Investments (Continued)

A reconciliation of cash and investments in as follows:

	Balance Sheet	Carrying Amount By Category
Balance sheet:		
Cash	\$ 385,546	\$ 385,546
Restricted asset	127,326	127,326
	\$ 512,872	\$ 512,872
Investments:		
Certificates of deposit	210,981	210,981
Louisiana Asset Management Pool, Inc.	220,058	-0-
U.S. Treasury securities	151,016	151,016
	882,055	661,997
	\$ 1,394,927	\$ 1,174,869

The market value is equal to the carrying amount of all investments.

Note 3 - Ad Valorem Taxes

For the year ended September 30, 2004, taxes of 6.07 mills were levied on property with assessed valuation totaling \$11,106,910 and were dedicated for general corporate purposes. Total taxes levied were \$67,419.

Property Taxes attach as an enforceable lien on property as of April 30. Taxes are levied on November 1.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 4 - Capital Assets

A summary of changes in capital assets for the year ended September 30, 2004:

	Beginning of Year	Additions	Deletions	End of Year
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	<u>64,230</u>	<u>1,248,141</u>	<u>(64,230)</u>	<u>1,248,141</u>
Capital assets, being depreciated:				
Buildings	638,593	4,852		643,445
Improvements other than buildings	811,969	24,998		836,967
Autos and trucks	595,950	209,621		805,571
Machinery and equipment	425,067	107,272		532,339
Infrastructure	<u>1,042,042</u>	-		<u>1,042,042</u>
Total capital assets, being depreciated	<u>3,513,621</u>	<u>346,743</u>		<u>3,860,364</u>
Less accumulated depreciation for:				
Buildings	476,165	12,619		488,784
Improvements other than buildings	138,581	29,703		168,284
Autos and trucks	398,621	68,273		466,894
Machinery and equipment	285,809	45,836		331,645
Infrastructure	<u>184,222</u>	<u>26,051</u>		<u>210,273</u>
Total accumulated depreciation	<u>1,483,398</u>	<u>182,482</u>		<u>1,665,880</u>
Total capital assets, being depreciated, net	<u>2,030,223</u>	<u>164,261</u>		<u>2,194,484</u>
Governmental activities capital assets, net	<u>2,094,453</u>	<u>1,412,402</u>	<u>(64,230)</u>	<u>3,442,625</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	158,825			158,825
Construction in progress	-	<u>33,750</u>	-	<u>33,750</u>
Total capital assets, not being depreciated	<u>158,825</u>	<u>33,750</u>	-	<u>192,575</u>
Capital assets, being depreciated:				
Buildings	1,737			1,737
Improvements other than buildings	2,769,893	345,227		3,115,120
Gas distribution system	578,737	2,820		581,557
Sewer system	4,430,405			4,530,405
Autos and trucks	150,215			150,215
Machinery and equipment	<u>241,122</u>	<u>9,103</u>		<u>250,225</u>
Total capital assets, being depreciated	<u>8,172,109</u>	<u>357,150</u>		<u>8,629,259</u>

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 4 - Capital Assets (Continued)

Less accumulated depreciation for:			
Buildings	1,737		1,737
Improvements other than buildings	1,196,076	86,996	1,283,072
Gas distribution system	568,359	9,697	578,056
Sewer system	451,085	116,076	567,161
Autos and trucks	118,848	7,969	126,817
Machinery and equipment	237,923	303	238,226
Total accumulated depreciation	<u>2,574,028</u>	<u>221,041</u>	<u>2,795,069</u>
Total capital assets, being depreciated, net	<u>5,598,081</u>	<u>136,109</u>	<u>5,834,190</u>
Business-type activities capital assets, net	<u>5,756,906</u>	<u>169,859</u>	<u>6,026,765</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	13,925
Public safety	109,787
Highways and streets	28,231
Culture and recreation	30,540
Total depreciation expense -- governmental activities	<u>182,483</u>
Business-type activities:	
Gas	10,001
Sewer	124,044
Airpark	86,996
Total depreciation expense -- business -- type activities	<u>221,041</u>

The construction in progress consists of the following projects:

	Total	Construction
	Budgeted	In Progress
Public safety building	1,267,000	1,208,496
Fire department garage	105,600	39,645
Airpark erosion control project	53,750	33,750
	<u>1,426,350</u>	<u>1,281,891</u>

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 5 - Long-Term Debt

Summary of changes in long-term debt – City of DeQuincy:

	<u>Balance 10-1-03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance 9-30-04</u>
Governmental Activities:					
Rural Development bonds payable	\$ -	\$ 619,000	\$2,549	\$ -	\$616,451
Business-type Activities:					
Certificates of indebtedness – Series 1995	103,589		50,444		53,145
Sewer bonds	<u>2,166,065</u>		<u>106,212</u>		<u>2,059,853</u>
	<u>\$2,269,654</u>	<u>\$619,000</u>	<u>\$159,205</u>	<u>\$ -</u>	<u>\$2,729,449</u>

Bonds and notes payable at September 30, 2004 are comprised of the following individual issues:

General obligations on debt:

Revenue bonds:

\$1,231,433 Utility Revenue Refunding Bonds Series 1998, single bond due in annual installments of \$438,861 to \$157,373 through 2001; interest at 7.20%. This bond was used to advance refund the \$1,257,856 – Utility Revenue Refunding Bonds of 4-11-89	\$ 809,505
\$619,000 Revenue Bonds, Series 2003 Rural Development Due in monthly installments of \$3,187.86 through May 2033; Interest at 4.5%. These funds were used to construct Public Safety building.	616,451
\$425,000 Certificate of Indebtedness Series 1995 due in quarterly installments of \$8,000 to \$13,500 through 2005; interest at 5.25%. These funds were used to purchase a building to be used for economic development	53,145
\$1,000,000 Sewer Revenue Bond, due in monthly installments of \$4,540, including interest at 4.5%. These funds were used to construct the sewer treatment plant	917,817
\$349,000 Sewer Revenue bond, due in monthly installments of \$1,584, including interest at 4.5%. These funds were used to make improvements to the West side sewer treatment facility	<u>332,531</u>
	<u>\$ 2,729,449</u>

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 5 - Long-Term Debt (Continued):

The annual requirements to amortize all bonds and notes outstanding, as of September 30, 2004 are as follows:

Year ending	Governmental	Activities	Business-type	Activities
	Principal	Interest	Principal	Interest
September 30,				
2005	10,736	27,518	167,351	122,190
2006	11,230	27,024	127,710	106,426
2007	11,746	26,508	136,214	97,710
2008	12,285	25,969	150,267	89,004
2009	12,849	25,405	164,649	78,109
2010-2014	73,663	117,608	333,528	266,157
2015-2019	92,211	99,060	151,055	216,413
2020-2024	115,430	75,842	189,089	178,378
2025-2029	144,495	46,777	236,702	130,766
2030-2034	131,806	11,671	296,302	71,165
2035-2039	-	-	160,131	11,207
	616,451	483,382	2,112,998	1,367,525

Note 6 - Dedication of Proceeds and flow of Funds - 2% Sales and Use Tax

Proceeds of the 1% sales and use tax levied by the City of DeQuincy (2004 collections \$376,875; 2003 \$381,391) are dedicated as follows:

1. Provide funds for the maintenance of the city's streets.
2. Proceeds of the sales and use tax have been pledged and dedicated to the retirement of Street Public Improvement bonds of 1967.

Proceeds of an additional 1% sales and use tax levied by the City of DeQuincy, effective December 1, 1983 (2004 collections \$376,875; 2003 \$381,391) are dedicated as follows:

1. Proceeds of the sales and use tax have been pledged and dedicated to the retirement of bonds and interest coupons to be issued for sewer improvements of the City.
2. Provide funds for the maintenance of the City's sewer system.

Proceeds of a ½% sales and use tax levied by the City effective October 1, 1993 (2004 collections \$188,437; 2003 \$190,695) are dedicated as follows:

1. 58% of proceeds are dedicated to Police Department expenses.
2. 42% of proceeds are dedicated to Fire Department expenses.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 7 - Individual Fund Interfund Receivable and Payable Balances

Such balances at September 30, 2004 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 95,000	\$ 6,957
Special Revenue Funds:		
Sales Tax Fund	-	1,116
Debt Service Funds:		
Utility Revenue Refunding Bonds, Series 1998	4,050	-
Enterprise Funds:		
Gas Utility Revenue Fund	-	101,375
Sewer Utility fund	105,398	-
Industrial Airpark Fund	-	95,000
	<u>\$ 204 448</u>	<u>\$ 204 448</u>

Note 8 - Gas Utility Revenue Fund

During the year, the Gas Utility Revenue Fund purchased 1,167,210 cubic feet of natural gas, and sold 1,170,760 cubic feet. This leaves an unaccounted difference of 3, 550 cubic feet, or .30% of the total amount of natural gas purchased.

At September 30, 2004 there were approximately 1,710 customers being served by the gas distribution system. The total amount of gas billed during the year was \$1,043,166, resulting in an average monthly bill of \$50,72 per customer. The gas rates being charged by the City at September 30, 2004 are as follows:

Residential

Net monthly rate:
 \$ 4.00 minimum charge
 96.50 cents per 100 cubic feet of gas used

Commercial

Net monthly rate:
 \$ 4.20 minimum charge
 96.60 cents per 100 cubic feet of gas used

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 9 - Retirement Commitments

Municipal Police Employees Retirement System

Plan Description. The City of DeQuincy contributes to the Municipal Police Employees' Retirement system, a cost-sharing multiple employer plan administered by the Municipal and State Police Employees' Retirement System of Louisiana. The Municipal Police Employees' Retirement system was established as of July 1, 1973 and amended by RS 33:2371 of the 1986 session to become Municipal and State Police Retirement System of Louisiana. The system is a state retirement system which was created to provide retirement benefits for full time municipal police officers in Louisiana and state police officers hired after January 1, 1987. The system is administered by a Board of Trustees of the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the board. Historical trend information for this plan is included in the separately issued report for the Municipal Employees' Retirement system for the period ended June 30, 2004.

Funding Policy. Plan members are required to contribute 7.5% of their annual covered salary and the City of DeQuincy is required to contribute at a statutorily determined rate. The current rates 21.5% of annual covered payroll. The contribution requirements of plan members and the City of DeQuincy are established and may be amended by the Board of Trustees. The City of DeQuincy's contributions to the Municipal Police Employees' Retirement System were \$53,227, \$32,743 and \$25,999 for the years ended September 30, 2004, 2003 and 2002, respectively, which equals the required contributions for each year.

Municipal Employees Retirement System

Plan Description. The City of DeQuincy contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employees' Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, town and cities within the state, which did not have their own retirement systems and which elected to become members of the system. The system is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the system with at least ten years creditable service, elected by the members of the system; one of whom shall be the officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 9 - Retirement Commitments (Continued):

June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The City of DeQuincy is a member of Plan "A" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employees' Retirement System for the period ended June 30, 2004.

Funding Policy. Plan members are required to contribute 9.25% of their annual covered salary and the City of DeQuincy is required to contribute at a statutorily determined rate. The current rate is 8% of annual covered payroll. The contribution requirements of plan members and the City of DeQuincy are established and may be amended by the Board of Trustees. The City of DeQuincy's contributions to the Municipal Employees' Retirement system of Louisiana were \$44,576, \$28,082, and 27,433 for the years ended September 30, 2004, 2003 and 2002, respectively, which equals the required contributions for each year.

Note 10- Litigation

The City is involved in several lawsuits. Outside counsel for the City estimates that potential claims against the City, which are not covered by insurance, would not materially affect the financial statements of the City.

Note 11- Receivables

The receivables of \$242,015 at September 30, 2004, are as follows:

	General	Special Revenue	Gas Utility	Sewer	Total
Receivables:					
Taxes	47,365	4,480	-	-	51,845
Accounts	39,790	-	136,841	85,544	262,175
Intergovernmental	1,000	-	-	-	1,000
Gross receivables	<u>88,155</u>	<u>4,480</u>	<u>136,841</u>	<u>85,544</u>	<u>315,020</u>
Less: allowance for uncollectibles	<u>(6,613)</u>	<u>-</u>	<u>(22,594)</u>	<u>(43,798)</u>	<u>(73,005)</u>
Net	<u>81,542</u>	<u>4,480</u>	<u>114,247</u>	<u>41,746</u>	<u>242,015</u>

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 12- Changes in Accounting Principles

For the year ended September 30, 2004, the City implemented GASB Standard No. 34, Basic Financial Statements – and management’s Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 creates new basic financial statements for reporting on the City’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 Statement No. 34 caused the opening fund balances at September 30, 2003 to be restated in terms of “net assets” as follows:

Total fund balances – Governmental Funds at September 30, 2003	\$ 514,455
Add: Cost of capital assets at September 30, 2003	3,399,181
Less: Accumulated depreciation at September 30, 2003	(1,483,397)
Less: Compensated absences payable at September 30, 2003	(12,589)
Net assets at September 30, 2003	<u>\$2,417,650</u>

Note 13- Compensation of Mayor and Council

Salaries paid to the Mayor and Council during the year are as follows:

L. A. Henagan, Mayor	\$ 11,000
Lawrence Henagan	2,300
Denise Maddox	1,800
Tracy Brown	1,800
Andrea Coleman	1,800
Lynne Treme	1,800

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to Financial Statements (Continued)
September 30, 2004

Note 14- Excess of Budgeted Revenues Over Actual Revenues/Other

Budgeted revenues exceeded actual revenues as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund -- Revenues/Other	\$ 2,821,369	\$ 2,696,690	\$ (164,679)
General Fund - Expenditures	\$ 2,741,269	\$ 2,730,244	\$ 11,025

Note 15- Prior Period Adjustment Error

Governmental Funds -- Fund balance at the beginning of 2004 has been adjusted to record unbilled revenues of \$12,960 and accrued wages of \$11,997. This correction results in an increase to beginning fund balance of \$963, an increase to beginning accounts receivable of \$12,960 and increase to beginning accrued expenses of \$11,997.

Enterprise Funds -- Retained earnings at the beginning of 2004 has been adjusted to record unbilled revenues of \$60,499; accrued wages of \$14,318; and reclass debt service of \$811,574. This correction results in a decrease to beginning retained earnings (net assets) of \$765,393; an increase to beginning accounts receivable of \$60,499; and an increase to beginning accrued expenses of \$14,318.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF DEQUINCY, LOUISIANA
GENERAL FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 415,000	\$ 415,000	\$ 405,418	\$ (9,582)
Licenses and permits	139,000	139,000	133,426	(5,574)
Intergovernmental	25,500	25,500	13,506	(11,994)
Charges for services	145,000	145,000	154,146	9,146
Fines and forfeits	70,000	70,000	86,958	16,958
Miscellaneous	9,800	9,800	103,519	93,719
Interest earned	2,000	2,000	4,097	2,097
Grants	836,000	1,036,000	834,931	(201,069)
Total revenues	1,642,300	1,842,300	1,736,001	(106,299)
Expenditures:				
Current:				
General government				
Personal services	132,000	132,000	104,699	27,301
Supplies	11,500	11,500	13,182	(1,682)
Other services and charges	309,400	309,400	283,887	25,513
Capital outlay	26,000	26,000	133	25,867
Total general government	478,900	478,900	401,901	76,999
Public Safety				
Police:				
Personal services	400,000	400,000	465,336	(65,336)
Supplies	3,000	3,000	2,923	77
Other services and charges	134,600	134,600	127,337	7,263
Capital outlay	25,000	1,096,069	1,239,885	(143,816)
Total police	562,600	1,633,669	1,835,481	(201,812)
Fire:				
Personal services	12,000	12,000	10,932	1,068
Supplies	500	500	18,718	(18,218)
Other services and charges	22,200	22,200	19,062	3,138
Capital outlay	417,000	417,000	149,819	267,181
Total fire	451,700	451,700	198,531	253,169
Total public safety	\$ 1,014,300	\$ 2,085,369	\$ 2,034,012	\$ 51,357

**CITY OF DEQUINCY, LOUISIANA
GENERAL FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (cont'd)
For the Year Ended September 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Sanitation:				
Other services and charges	\$ 145,000	\$ 145,000	\$ 155,538	\$ (10,538)
Culture and recreation:				
Personal services	3,000	3,000	-	3,000
Supplies	14,000	14,000	11,089	2,911
Other services and charges	-	-	6,066	(6,066)
Capital outlay	15,000	15,000	17,421	(2,421)
Total culture and recreation	<u>32,000</u>	<u>32,000</u>	<u>34,576</u>	<u>(2,576)</u>
Debt Service:				
Principal	-	-	2,459	(2,459)
Interest	-	-	17,526	(17,526)
Total debt service	<u>-</u>	<u>-</u>	<u>19,985</u>	<u>(19,985)</u>
Total expenditures	<u>1,670,200</u>	<u>2,741,269</u>	<u>2,646,012</u>	<u>95,257</u>
Excess (deficiency) of revenues over expenditures	(27,900)	(898,969)	(910,011)	(11,042)
Other financing sources (uses):				
Bond proceeds	-	619,000	619,000	-
Operating transfers in	108,000	360,069	301,689	(58,380)
Operating transfers out	-	-	(84,232)	(84,232)
Total other financing sources (uses)	<u>108,000</u>	<u>979,069</u>	<u>836,457</u>	<u>(142,612)</u>
Net change in fund balances	80,100	80,100	(73,554)	(153,654)
Fund balance at beginning of year	309,482	309,482	497,028	187,546
Prior period adjustment - correction of an error	<u>-</u>	<u>-</u>	<u>4,341</u>	<u>4,341</u>
Fund balance at end of year	<u>\$ 389,582</u>	<u>\$ 389,582</u>	<u>\$ 427,815</u>	<u>\$ 38,233</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DEQUINCY, LOUISIANA
SALES TAX SPECIAL REVENUE FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2004**

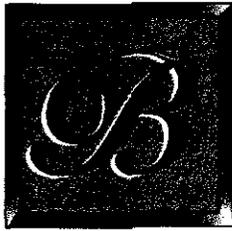
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 380,000	\$ 380,000	\$ 377,476	\$ (2,524)
Miscellaneous	1,000	1,000	13,832	12,832
Interest earned	13,300	13,300	249	(13,051)
Grants	100,000	100,000	-	(100,000)
Total revenues	<u>494,300</u>	<u>494,300</u>	<u>391,557</u>	<u>(102,743)</u>
Expenditures - highways and streets				
Personal services	145,000	145,000	146,108	(1,108)
Materials and supplies	40,000	40,000	16,368	23,632
Equipment maintenance	33,000	33,000	7,680	25,320
Other services and charges	100,100	100,100	130,123	(30,023)
Capital outlay	200,000	200,000	5,413	194,587
Total expenditures	<u>518,100</u>	<u>518,100</u>	<u>305,692</u>	<u>212,408</u>
Excess of revenues over expenditures	(23,800)	(23,800)	85,865	109,665
Fund balance at beginning of year	216,132	216,132	17,427	198,705
Prior period adjustment - correction of error	<u>-</u>	<u>-</u>	<u>(3,378)</u>	<u>3,378</u>
Fund balance at beginning of year, as restated	<u>216,132</u>	<u>216,132</u>	<u>14,049</u>	<u>202,083</u>
Fund balance at end of year	<u>\$ 192,332</u>	<u>\$ 192,332</u>	<u>\$ 99,914</u>	<u>\$ 311,748</u>

The accompanying notes are an integral part of the financial statements.

COMPLIANCE, INTERNAL CONTROL REPORTS

CITY OF DEQUINCY, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2004

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Program Amount	Expenditures
Louisiana Community Development Block Grant - Fire Truck/Garage	14.228	181,233	\$ 181,233
U. S. Department of Justice - Byrne Formula Grant	16.579	36,354	36,354
FEMA - Assistance to Firefighters Grant Program	85.554	75,000	75,000
FAA - Airport Improvement Program	20.106	218,769	218,769
USDA - RUS Grant	10.766	200,000	200,000
USDA - RUS Loan	10.766	619,000	<u>619,000</u>
Total expenditures of federal awards			<u>\$ 1,330,356</u>



Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of DeQuincy
DeQuincy, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and the major funds of the City of DeQuincy, Louisiana as of and for the year ended September 30, 2004, which collectively comprise the City of DeQuincy, Louisiana's basic financial statements and have issued our report thereon dated February 9, 2005. 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 Audit Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of DeQuincy's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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 the City of DeQuincy'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 items 04-01, 04-02 and 04-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 04-3 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of DeQuincy, Louisiana'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 that are required to be reported under Government Auditing Standards.

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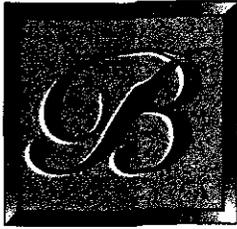
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Honorable Mayor and City Council
City of DeQuincy
Page 2

This report is intended solely for the information of the City, management, and other state and federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Broussard & Company

Lake Charles, Louisiana
February 9, 2005



Founded ira 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

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

Honorable Mayor and City Council
City of DeQuincy
DeQuincy, Louisiana

Compliance

We have audited the compliance of City of DeQuincy 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 September 30, 2004. City of DeQuincy'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 City of DeQuincy's management. Our responsibility is to express an opinion on DeQuincy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of DeQuincy'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 of the City of DeQuincy's compliance with those requirements.

In our opinion, the City of DeQuincy 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 September 30, 2004.

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Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the audit committee, management, Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Broussard & Company

Lake Charles, Louisiana
February 9, 2005

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Schedule of Findings and Questioned Costs
September 30, 2004

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:				Unqualified
Internal control over financial reporting:				
Material weakness identified?	<u> X </u>	Yes	<u> </u>	No
Reportable condition identified not considered To be material weakness?	<u> X </u>	Yes	<u> </u>	None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:				
Material weakness identified?	<u> </u>	Yes	<u> X </u>	No
Reportable condition identified not considered to be material weakness?	<u> </u>	Yes	<u> X </u>	Non reported
Type of auditor's report issued on compliance for major programs:				Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> </u>	Yes	<u> X </u>	No

Identification of major programs:

<u>CFDA Number(s)</u>	Name of Federal Program or Cluster
14.228	Louisiana Community Development Block Grant
20.106	FAA – Airport Improvement Program
10.766	USDA - RUS

Dollar threshold used to distinguish between Type A and Type B programs:				
	<u> \$500,000 </u>			
Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u>	No

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Schedule of Findings and Questioned Costs (Continued)
September 30, 2004

SECTION II – FINANCIAL STATEMENT FINDINGS

04-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

04-2 Overdue Utility Receivables

Condition: A significant portion of the utility receivables are not current.

Criteria: Accounts receivable should be kept current.

Effect: The City is at a risk of loss with accounts receivable that are not current.

Recommendation: A formal policy for delinquent accounts receivable should be adopted and enforced. It is recommended that a review of all accounts be made on a monthly basis and that proper actions be taken on delinquent accounts. Any accounts that are currently considered uncollectible should be written off.

Response: The City agrees with the recommendation. Delinquent accounts are reviewed monthly and added to our list of intended accounts to be written off. A proactive stance is in force to help prevent the delinquent amount from increasing.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Schedule of Findings and Questioned Costs (Continued)
September 30, 2004

04-3 Accounts Receivable Reconciliation

Condition: Subsidiary accounts receivable ledgers are not being reconciled to general ledger control.

Criteria: Effective internal control requires periodic (usually monthly) reconciliation.

Effect: Without periodic reconciliation, errors could go undetected.

Recommendation: Monthly reconciliations between detailed subsidiary journals and general ledger be performed and reviewed.

Response: The City agrees with the recommendation. Monthly reconciliations will be performed and reviewed by the appropriate personnel.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Schedule of Prior Year Findings and Questioned Costs
September 30, 2003

03-1 Inadequate Segregation of Duties

Condition: This finding was a reportable condition relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.

Recommendation: Since increasing staff size would not be cost effective, the auditor recommended that the City's management mitigate this weakness by its supervision and review procedures.

Current Status: The condition still exists, however, it has been mitigated by the review procedures.

03-2 Overdue Utility Receivables

Condition: A significant portion of utility receivables are not current.

Recommendation: A formal policy for delinquent accounts receivable should be adopted and enforced. It is recommended that a review of all accounts be made on a monthly basis and that proper actions be taken on delinquent accounts. Any accounts that are currently considered uncollectible should be written off.

Current Status: See current year reportable condition 04-2.

03-3 Restricted Cash Reserves

Condition: The restricted cash reserves in the Gas Utility Revenue Fund were less than the customer deposit liability.

Corrective Action: The restricted cash reserves for customer deposits are now adequate.

03-4 Fuel Tank and Pump

Condition: Most all City employees had unlimited access to the City's fuel that is used for its vehicles.

Corrective Action: Only one key is now available to permit access to the fuel and that key is kept in the vault. A log is maintained to indicate access and usage.

03-5 Donation of Utility Services

Condition: The City had been providing another governmental agency with utility services with no expectation of payment for these services.

Corrective Action: The City has executed a joint services agreement with the organization that outlines the non-cash benefits received by the City and the value of the services donated by the City.