

**Comprehensive
Annual Financial Report
of the**

CITY OF DENHAM SPRINGS

Denham Springs, Louisiana

**For the Fiscal Year Ended
June 30, 2002**

**Prepared by the
City of Denham Springs
Accounting Department**

**CITY OF DENHAM SPRINGS
DENHAM SPRINGS, LOUISIANA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2002

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**CITY OF DENHAM SPRINGS
DENHAM SPRINGS, LOUISIANA**

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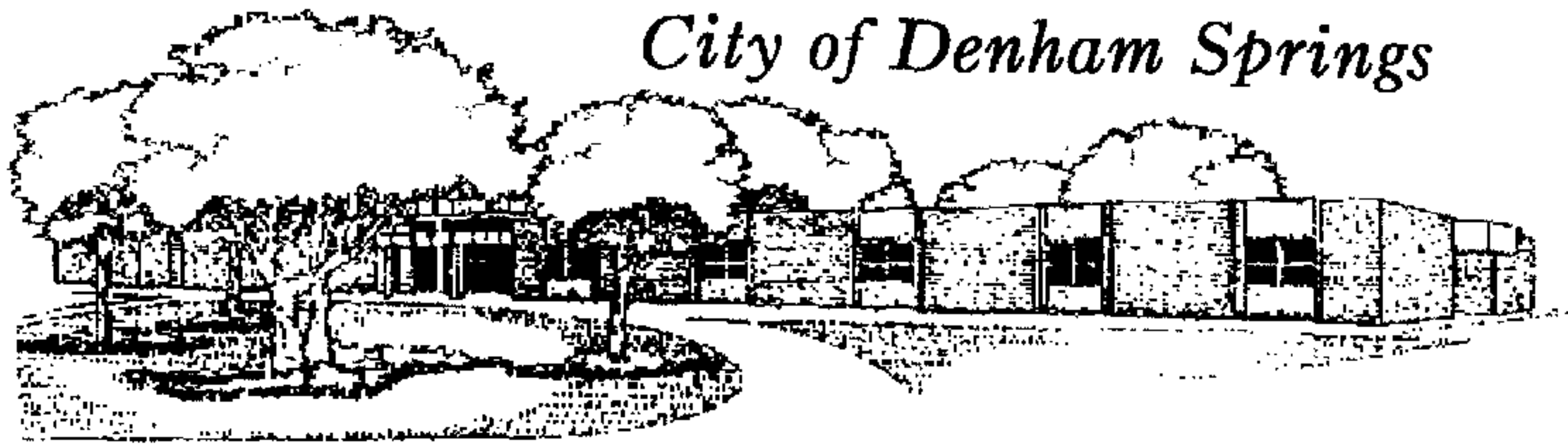
**CITY OF DENHAM SPRINGS
DENHAM SPRINGS, LOUISIANA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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City of Denham Springs

MAYOR
JAMES E. DELAUNE

COUNCIL
BRENT A. DUGAS
JAMES E. DURBIN
ARTHUR L. PERKINS, SR.
L. LAYTON RICKS, JR.
STERLING VINCENT

CITY CLERK
LERLINE BARNETT

CITY TREASURER
CLARENCE SPEED, JR.

September 17, 2002

To the Honorable Mayor, Members of the City Council,
And Citizens of the City of Denham Springs

State law requires that all general purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Denham Springs for the fiscal year ended June 30, 2002.

This report consists of management's representations concerning the finances of the City of Denham Springs. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Denham Springs has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Denham Springs' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Denham Springs' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Hannis T. Bourgeois, LLP, a firm of licensed certified public accountants has audited the City of Denham Springs' financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Denham Springs for the fiscal year ended June 30, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Denham Springs' financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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DENHAM SPRINGS, LOUISIANA 70727-1629
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During the current fiscal year, the City was not required to undergo a single audit in conformance with the provisions of the revised Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to the auditor's report on Compliance and on Internal Control over Financial Reporting, is included in a separately issued report and is available upon request.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Denham Springs' MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Denham Springs, incorporated in 1903, is located on the eastern side of Livingston Parish and is adjacent to East Baton Rouge Parish, which contains the capital city of Baton Rouge and is a major industrial area. The City of Denham Springs currently occupies a land area of 6.12 square miles and serves a population of 8,883. The City of Denham Springs is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Denham Springs has operated under the mayor-board of aldermen (city council) form of government since 1903. Policy-making and legislative authority are vested in a governing council consisting of five council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing, with the approval of the city council, the heads of the various departments. The mayor and the city council are elected at large. The mayor and the five council members serve four-year terms.

The City of Denham Springs provides a full range of services, including police and fire protection, maintenance of streets and drainage, animal control, cemetery, general administrative services, planning and zoning, building inspection, main street program, community arts program, and health services, gas services, water services, sewer services, recycling, and solid waste disposal.

The annual budget serves as the foundation for the City of Denham Springs' financial planning and control. All agencies of the City of Denham Springs are required to submit requests for appropriation to the city treasurer. The city treasurer uses these requests as the starting point for developing a proposed budget. The city treasurer then presents this proposed budget to the city council for review. The city council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Denham Springs' fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the

general fund, this comparison is presented on pages 26 - 36 as part of the financial statements of the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the nonmajor governmental fund subsection of this report, which starts on page 82. The only nonmajor governmental fund annual appropriated budget is the Capital Projects Fund.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Denham Springs operates.

Local economy. The City of Denham Springs currently enjoys a favorable economic environment and local indicators point to continued stability. The region has a varied industrial base that adds to the relative stability of the unemployment rate. Major industrial areas located within close proximity include the petrochemical manufacturing plants and the companies supported by these plants such as suppliers, contractors, professionals and financial institutions. Add to this the state governmental job availability in the surrounding areas of Baton Rouge, the state capital for the State of Louisiana, and the businesses supported directly and indirectly. Located within the City of Denham Springs are several financial institutions, pharmacies, varied retail outlets, retail discount stores, and restaurant and fast food chains. Under development is a "power strip mall" to be anchored by a new Home Depot building and hardware store in conjunction with a new Chili's Restaurant, a new International House of Pancakes (IHOP'S), and several unannounced commercial businesses. The City of Denham Springs is excited about the prospects for additional development of commercial properties within the City limits. In the planning stage is the construction of a large supermarket. Other commercial developments are currently eyeing the City of Denham Springs.

Of concern to the City of Denham Springs, are there enough available commercial properties within the City of Denham Springs? Presently, the City of Denham Springs has approved the annexing of a tract of land on the north side and two tracts of land on the south side of the City. A majority of landowners did sign petitions to have their properties annexed. The City of Denham Springs has submitted this to the United States Justice Department for final approval. If approved, this will provide available City property for commercial growth, and in return the City will provide fire and police protection to these landowners. An additional benefit to the landowners should be the savings they will receive on their property insurance.

The region (which includes the City of Denham Springs and the surrounding unincorporated area within Livingston Parish) has an employed labor force of approximately 45,600. The City of Denham Springs' central business district is expected to maintain its current 97 percent occupancy rate with a variety of stores, specialty shops, and commercial businesses.

Long-term financial planning. The City will continue to improve services and upgrade infrastructure. Projects planned for the future include:

- Construction of the projected \$4.1 million Range Avenue pairing project. Project is to be funded by the State of Louisiana.
- Overlay and drainage of Rodeo Drive at a projected cost of \$400,000.

- Interchange loops to be constructed at Juban Road and Pete's Highway. These interchange projects are to be funded by Federal and State appropriations.
- Construction of sidewalks along Range Avenue and Hatchell Lane at a projected cost of approximately \$515,000. This is a 95% State funded grant with a 5% City match.
- Explore the possibility of annexing additional areas where construction of federally funded new interstate interchanges are planned for Juban Road and Pete's Highway. This area will add additional commercial growth within the City.
- Continue planning and funding sources being studied for the upgrade of Tate Road from Range Avenue and an extension of Tate Road to Juban Road. This planned curb and gutter street will provide access for the planned construction of a new high school. This will provide a link to the new interstate interchange and provide new commercial areas. This is within the area under consideration for annexation. This is a project expected to require a minimum of five years to complete.
- A larger sewer pump station is being planned for the area bordered by Highpoint Boulevard, Range Avenue, Rushing Road, and Florida Avenue. The projected cost is \$300,000.
- Plan and study the upgrade of the water and sewer systems within the City of Denham Springs, and the improvement of water lines on Hwy 16 (Pete's Highway) toward Port Vincent.

Cash management policies and practices. The City of Denham Springs conservatively invested its idle funds in certificates of deposit through its current fiscal agent, Hibernia National Bank. Investments are collateralized with securities pledged by the financial institution and held in our name by an approved third-party custodial bank. Procedures followed and securities pledged are in accordance with the Statutes of the State of Louisiana. The maturities of the certificates of deposit range from 180 days to 365 days, with an average maturity of 180 days. The average yield on the certificates of deposit was 3.32% for the fiscal year ended June 30, 2002.

Risk management. During the fiscal year ended June 30, 2002 management believes the City is fully insured for all major risks, such as General Liability, Workmen's Compensation, Employee and Public Official Fidelity Bonds, and Fire and Extended Coverage and Flood Insurance. The City maintains no self-insurance program at June 30, 2002.

Additional information on the City of Denham Springs' risk management activity can be found in Note 16 of the notes to the financial statements.

Pension and other post employment benefits. Substantially all employees of the City of Denham Springs are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana (MERS), Municipal Police Employees Retirement System of Louisiana (MPERS), or Firefighters Retirement System of Louisiana. These systems are multiple employer (cost-sharing), public employee retirement systems (PERS), controlled and administered by separate State appointed board of trustees. The City of Denham Springs has no obligation in connection with employee benefits offered through these plans beyond its annual contractual payment to these State Pension Boards

Additional information on the City of Denham Springs' pension arrangements and post employment benefits can be found in Notes 11 and 12 in the notes to the financial statements.

Awards and Acknowledgements

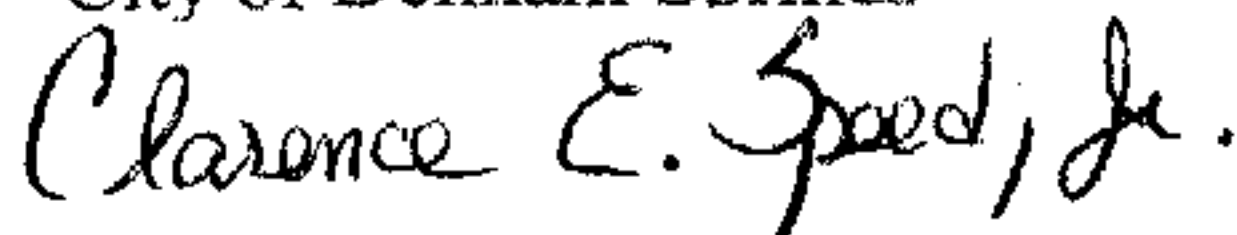
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Denham Springs for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001. This was the sixth consecutive year that the City of Denham Springs has received this prestigious award. In order to be awarded a Certificate of Achievement by GFOA, a governmental unit must publish an easily readable and efficiently organized CAFR. This report satisfied both accounting principles generally accepted (GAAP) in the United States of America, and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Administrative Office Staff whose daily efforts result in the proper handling of the City's financial affairs and the successful completion of this report.

Appreciation is also expressed to the Mayor and City Council for their support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

City of Denham Springs



Clarence E. Speed, Jr.
City Treasurer

CITY OF DENHAM SPRINGS

PRINCIPAL ELECTED OFFICIALS

JUNE 30, 2002

Mayor:

James E. Delaune

City Council Members:

Current Terms Expire December 31, 2002:

James E. Durbin

Arthur Perkins

Sterling Vincent

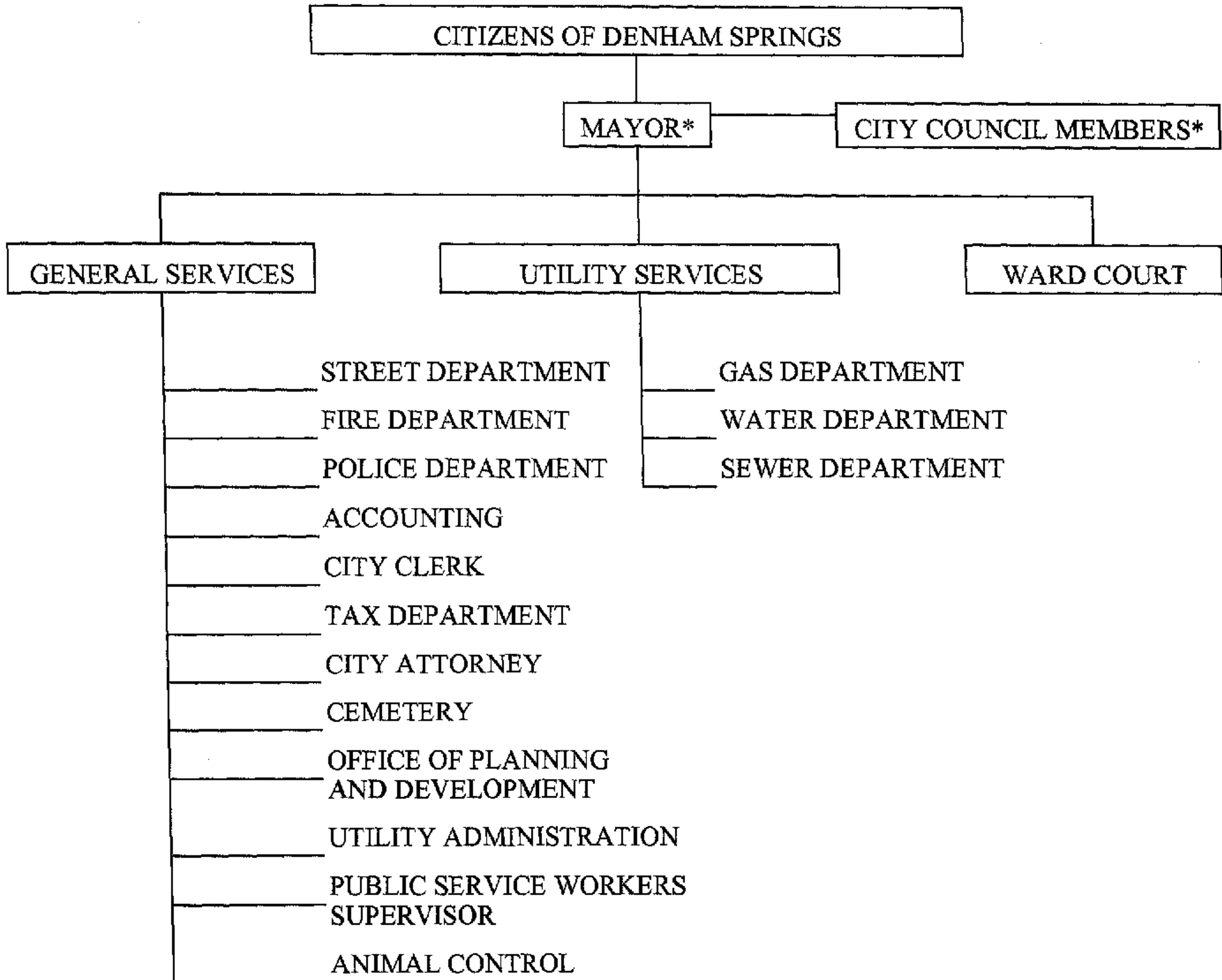
Brent Dugas

Layton Ricks

CITY OF DENHAM SPRINGS

ORGANIZATIONAL CHART

JUNE 30, 2002



* ELECTED OFFICIALS

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Denham Springs,
Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Pate
President

Jeffrey L. Esser
Executive Director



Hannis T. Bourgeois, LLP

Certified Public Accountants

Randy J. Bonneau, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
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Monica L. Zumo, CPA*
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September 17, 2002

INDEPENDENT AUDITOR'S REPORT

The Honorable James E. DeLaune, Mayor
and Members of the City Council
Denham Springs, Louisiana

We have audited the accompanying basic financial statements of the City of Denham Springs, Louisiana, as of and for the year ended June 30, 2002, as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

In addition, Hannis T. Bourgeois, LLP, acting separately, audited the financial statements of each of the component units discretely presented in the City of Denham Springs basic financial statements. The component units audited by us, separately, account for 100% of the assets of the component unit column on the Statement of Net Assets.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

The Honorable James E. DeLaune
and Members of the City Council
City of Denham Springs, Louisiana

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Denham Springs, Louisiana, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the City of Denham Springs adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*; and Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated September 17, 2002 on our consideration of the City of Denham Springs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 17 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed in the Table of Contents as Supplementary Schedules (Schedules 1 through 19) is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Denham Springs, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial information listed in the Statistical Section is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Denham Springs, Louisiana. The information has not been audited by us, and accordingly we express no opinion on the information.

Respectfully submitted,

Hannis J. Bourgeois, LLP

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

As management of the City of Denham Springs, Louisiana, we offer readers of this financial statement this narrative overview and analysis of the financial activities of the City of Denham Springs, Louisiana, for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv - viii of this report.

Financial Highlights

- The assets of the City of Denham Springs exceeded liabilities at the close of the most recent fiscal year by \$27,803,138 (net assets). Of this amount, \$13,526,848 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$221,430.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,835,961, an increase of \$33,717 in comparison with the prior year. Approximately two-thirds of the total amount, \$2,557,137, is available for spending at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,556,216 or 40 percent of total general fund expenditures.
- The City's total debt decreased by \$226,627 (21 percent) during the current fiscal year. The key factor in this decrease is the normal annual debt service requirements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Denham Springs' basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Denham Springs' finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Denham Springs' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Denham Springs is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Denham Springs that are principally supported by taxes, licenses, permits, fines and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Denham Springs include general government, public safety, highways and streets, health, and culture and recreation. The business-type activities of the City of Denham Springs include a gas and water distribution operation, a sewer disposal operation, and a contracted solid waste disposal operation. All business-type activities are included in a single Utility Enterprise Fund.

The government-wide financial statements include not only the City of Denham Springs itself (known as the *primary government*), but also a legally separate City Court of Denham Springs Ward II and a legally separate Marshal of City of Denham Springs - Ward II for which the City of Denham Springs is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 19-21 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Denham Springs maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Denham Springs adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22 - 36 of this report.

Proprietary funds. The City of Denham Springs maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Denham Springs uses an enterprise fund to account for its gas and water distribution operation, sewer disposal operation, and contracted solid waste disposal operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Denham Springs' various functions. The City of Denham Springs uses an internal service fund to account for fuel and maintenance costs for its fleet of vehicles and equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the enterprise fund consisting of the gas and water distribution operation, sewer disposal operation, and contracted solid waste disposal operation, which is considered to be a major fund of the City of Denham Springs. Conversely, the internal service fund is a single presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 37 - 41 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 can be found on pages 42 - 78 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 80 - 82 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Denham Springs, assets exceeded liabilities by \$27,803,138 at the close of the most recent fiscal year.

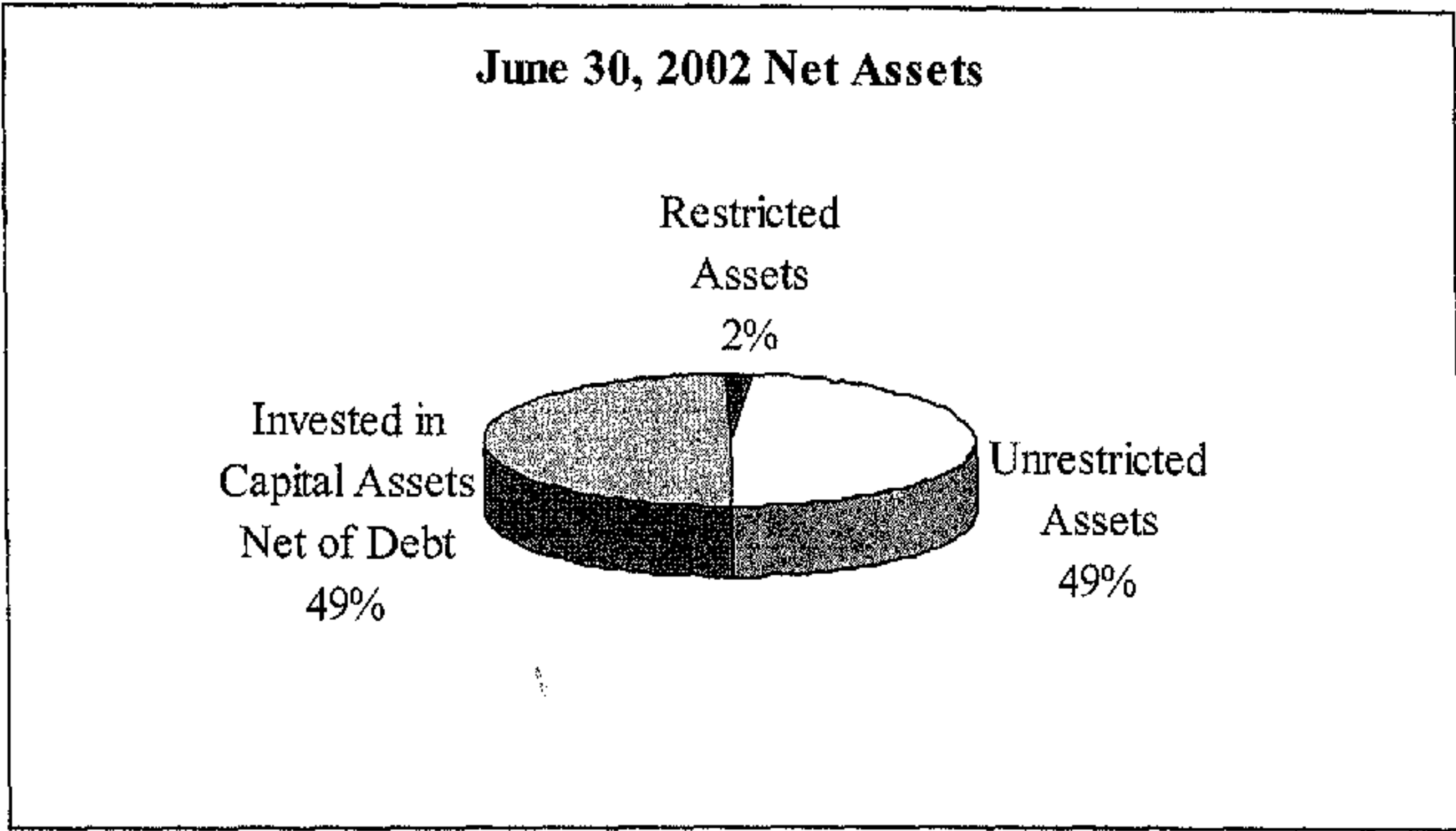
By far the largest portion of the City of Denham Springs' net assets (49 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Denham Springs uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Denham Springs' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the Condensed Statement of Net Assets for June 30, 2002. Prior year data is not presented in the implementation year but will be presented in future years for comparison purposes.

City of Denham Springs
Condensed Statement of Net Assets
June 30, 2002

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets:			
Current and Other Assets	\$ 4,188,024	\$ 3,011,982	\$ 7,200,006
Restricted Assets	-	465,000	465,000
Capital Assets	<u>6,560,926</u>	<u>15,788,534</u>	<u>22,349,460</u>
Total Assets	<u>10,748,950</u>	<u>19,265,516</u>	<u>30,014,466</u>
Liabilities:			
Current Liabilities	381,252	976,820	1,358,072
Long-Term Liabilities	<u>237,915</u>	<u>615,341</u>	<u>853,256</u>
Total Liabilities	<u>619,167</u>	<u>1,592,161</u>	<u>2,211,328</u>
Net Assets:			
Invested in Capital Assets Net of Debt	6,560,926	7,225,602	13,786,528
Restricted	489,762	-	489,762
Unrestricted	<u>3,079,095</u>	<u>10,447,753</u>	<u>13,526,848</u>
Total Net Assets	<u>\$ 10,129,783</u>	<u>\$ 17,673,355</u>	<u>\$ 27,803,138</u>

For more detailed information see Exhibit A-1, the Statement of Net Assets.



An additional portion of the City of Denham Springs' net assets (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$13,526,848) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Denham Springs is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Restricted net assets reported in connection with the City of Denham Springs' business-type activities remained the same as the prior year. The \$465,000 represents funds set aside to repay customers deposits required prior to receiving services.

The City's net assets increased by \$221,430 during the current fiscal year. All of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

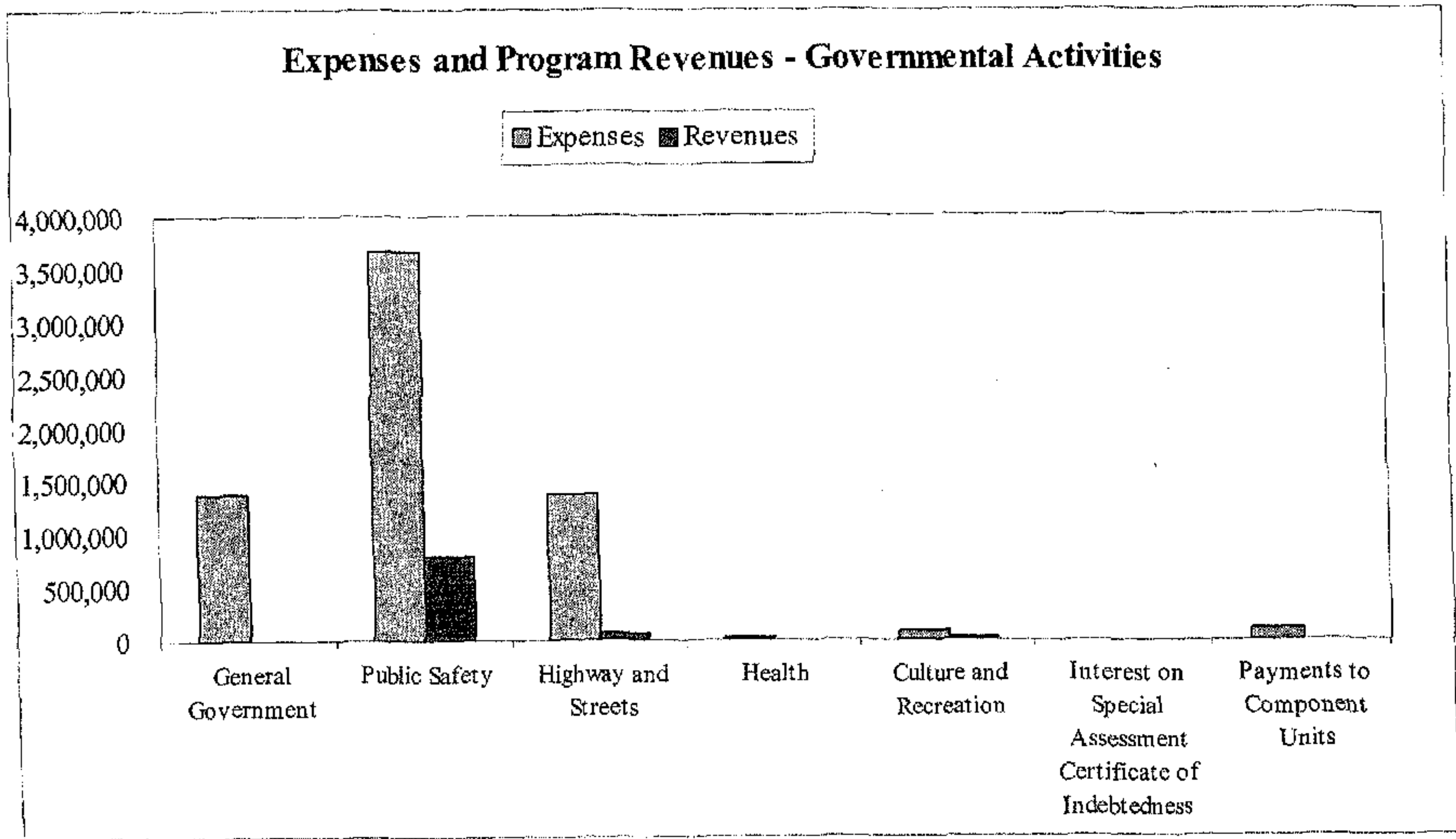
Governmental activities. Governmental activities increased the City of Denham Springs' net assets by \$61,108, thereby accounting for 28 percent of the total growth in the net assets of the City of Denham Springs. Key elements of this increase are documented on the following page:

City of Denham Springs
Condensed Statement of Changes in Net Assets
For the Year Ended June 30, 2002

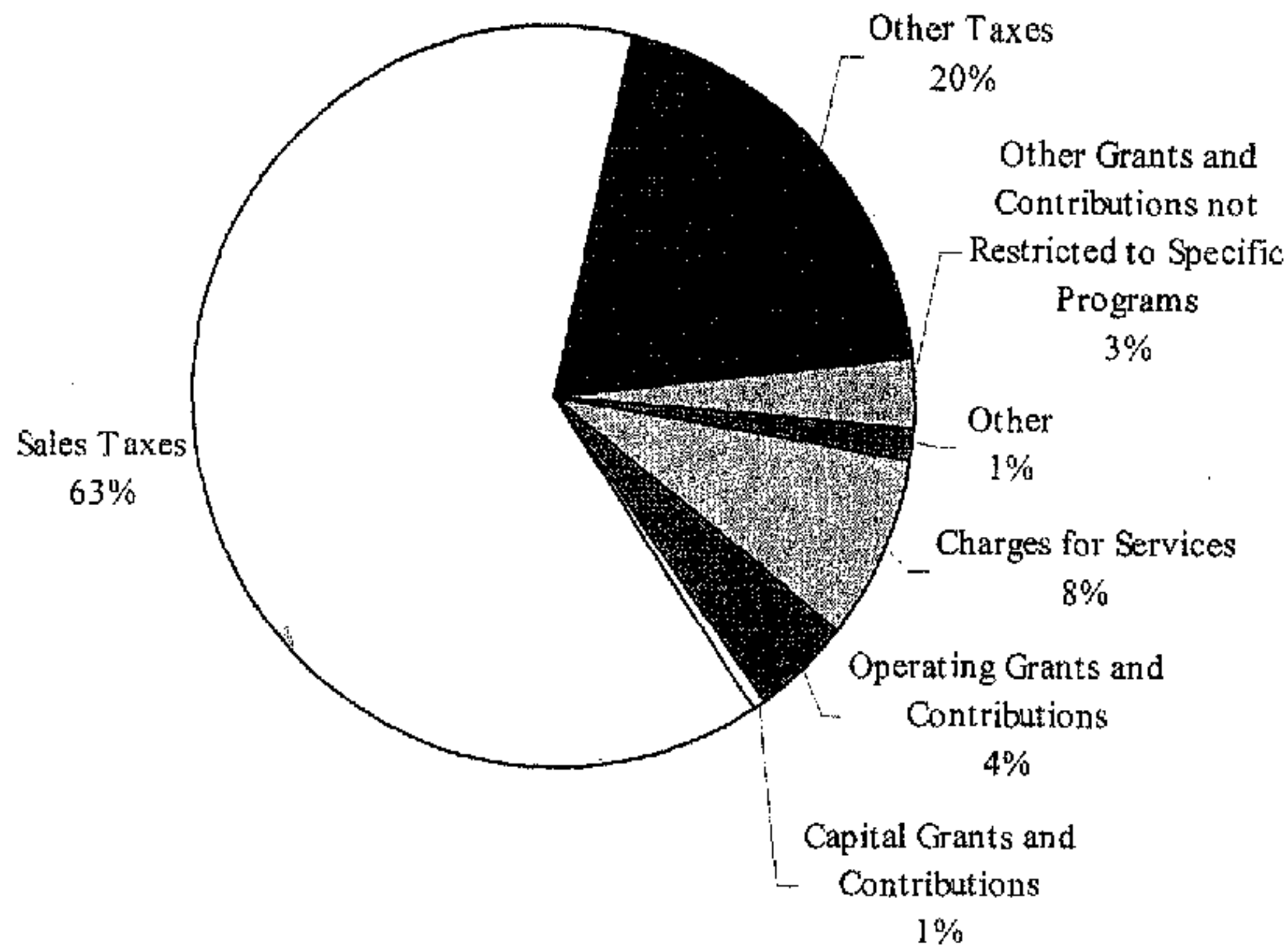
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 536,548	\$ 4,823,164	\$ 5,359,712
Operating Grants and Contributions	296,013	-	296,013
Capital Grants and Contributions	47,907	32,935	80,842
General Revenues:			
Sales Taxes	4,193,182	-	4,193,182
Other Taxes	1,322,585	-	1,322,585
Other Grants and Contributions not Restricted to Specific Programs	204,170	42,739	246,909
Other	93,432	96,520	189,952
Total Revenues	<u>6,693,837</u>	<u>4,995,358</u>	<u>11,689,195</u>
Expenses:			
General Government	1,379,014	-	1,379,014
Public Safety	3,672,912	-	3,672,912
Highways and Streets	1,374,390	-	1,374,390
Health	29,098	-	29,098
Culture and Recreation	77,645	-	77,645
Interest on Long-Term Debt	1,545	-	1,545
Payments to Component Units	98,125	-	98,125
Gas	-	2,336,007	2,336,007
Water	-	867,579	867,579
Sewer	-	1,018,507	1,018,507
Sanitation	-	612,943	612,943
Total Expenses	<u>6,632,729</u>	<u>4,835,036</u>	<u>11,467,765</u>
Increase in Net Assets	61,108	160,322	221,430
Net Assets - Beginning of Year	<u>10,068,675</u>	<u>17,513,033</u>	<u>27,581,708</u>
Net Assets - End of Year	<u>\$ 10,129,783</u>	<u>\$ 17,673,355</u>	<u>\$ 27,803,138</u>

Total revenues from Governmental Activities increased by only \$9,718 over the prior year.

- Sales tax collections increased by \$131,236 (3 percent) during the year. Most of this increase is attributed to retail sales.
- Capital Grants and Contributions increased by \$26,332. This increase was because of the start-up of the Range Road Corridor Project.
- Interest income declined during the current fiscal year by \$77,765. This decline was caused entirely by the reduction in interest rates on invested funds.
- The City received a one-time insurance premium rebate of \$95,811 from premiums paid over the past years.
- Fines and Forfeits declined by \$16,191.
- Law Enforcement Grants declined by \$135,341.
- Other small revenue increases and decreases amounted to a total of \$14,364 in decreased revenues.



Revenues by Source - Governmental Activities



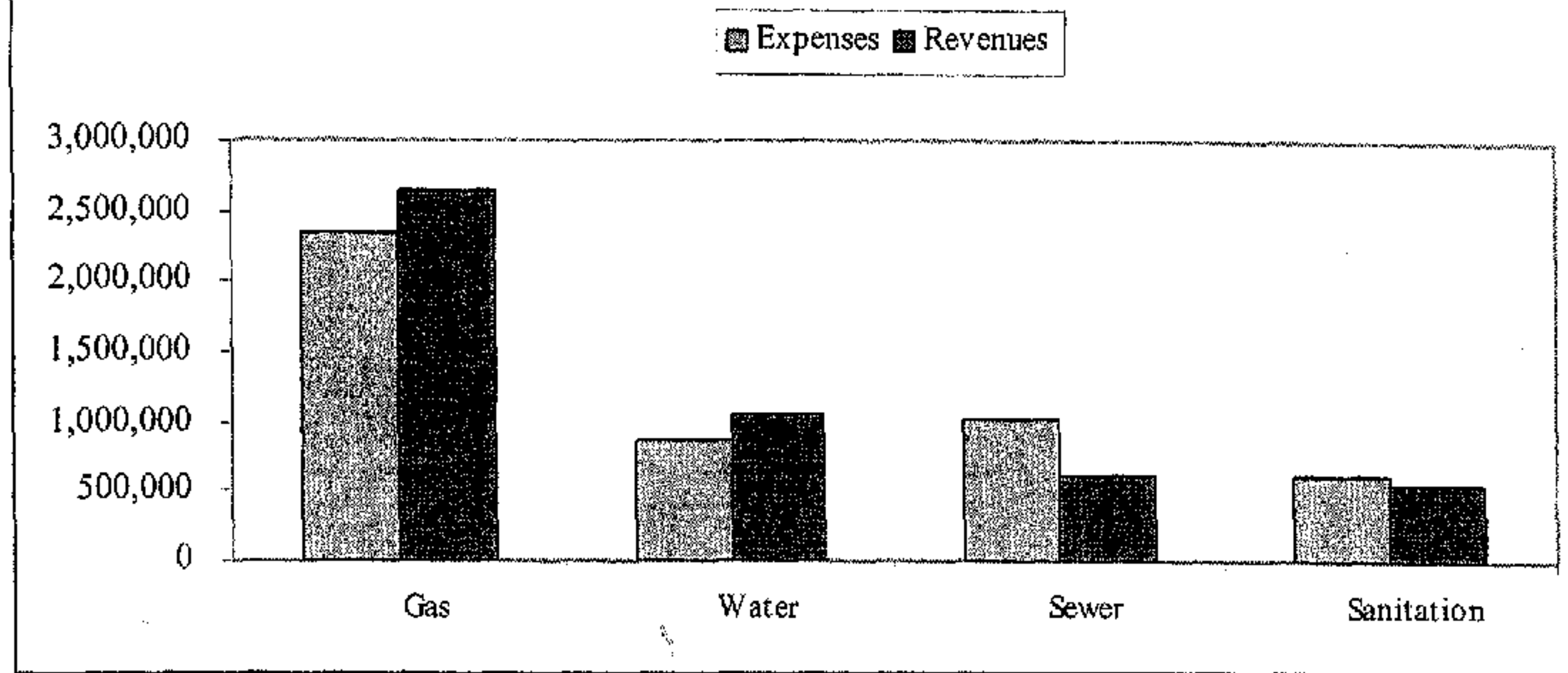
Total expenses from Governmental Activities increased by \$466,682.

- Total salaries charged to governmental activities increased from \$3,062,528 to \$3,268,749 or an increase of \$206,221. This increase was caused by pay increases and the addition of several employees.
- Related payroll taxes and employee benefits charged to governmental activities increased by \$93,678.
- For the most part, the remainder of the governmental activities expenses paralleled inflation and growth in the demand for services.

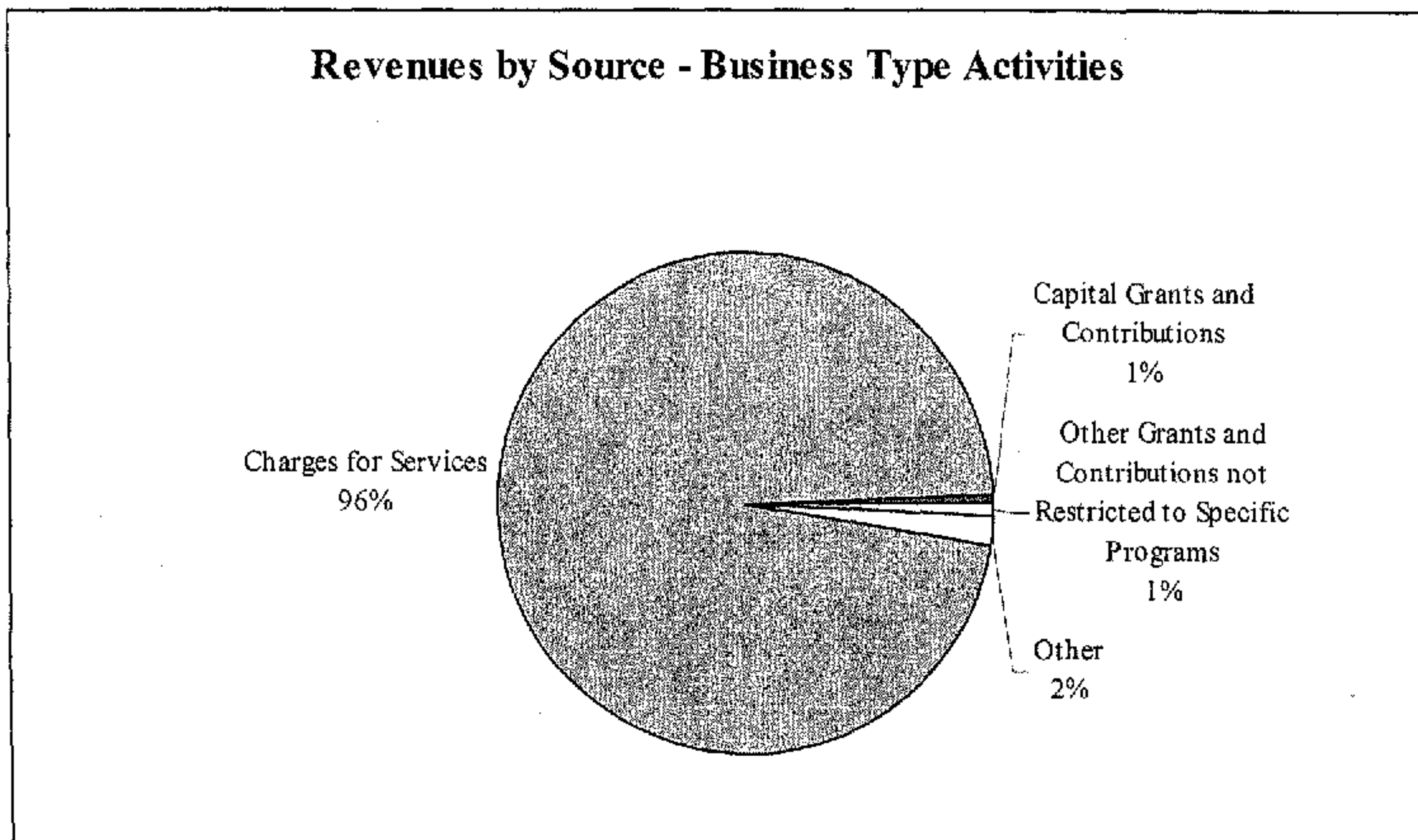
Business-type activities. Business-type activities increased the City of Denham Springs' net assets by \$160,322, accounting for 72 percent of the total growth in the City's net assets. Key elements of this increase are as follows.

- Operating income from business type activities increased by \$128,723 caused mostly by the increase monitoring of natural gas costs being passed on to consumers.
- Non-operating revenue decreased by \$75,160. The majority of the decrease was caused by the interest rate reduction on invested funds.

Expenses and Program Revenues - Business Type Activities



Revenues by Source - Business Type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Denham Springs' *governmental funds* is to provide information on near-term inflow, and balances of *spendable* resources. Such information is useful in assessing the City of Denham Springs' 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 of Denham Springs' governmental funds reported combined ending fund balances of \$3,835,961, an increase of \$33,717 in comparison with the prior year. Approximately 87% of this total amount (\$3,346,199) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$13,321), 2) to generate income to pay for the perpetual care of the municipal cemetery (\$476,441).

The general fund is the chief operating fund of the City of Denham Springs. At the end of the current fiscal year, total fund balance of the general fund of \$2,556,216 was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balances and total fund balance to total fund expenditures. Total fund balance and unreserved fund balance represents 40 percent of total general fund expenditures.

During the current fiscal year, the fund balance of the City of Denham Springs' general fund decreased by \$268,294. Key factors in this decline are as follows:

- Although sales tax revenues increased by \$131,236 total revenues of the general fund only increased by \$25,726. The major decline in general fund revenues was caused by the decrease in law enforcement grants received over the prior year in the amount of \$135,341.
- Total expenditures of the general fund increased by \$214,318 over the prior year. Salaries and related payroll taxes and benefits increased by \$299,899 while equipment purchases declined by \$187,126.
- In the current year, the City transferred \$485,700 from the general fund to the City's Capital Projects Fund to fund new and existing capital projects.

The debt service fund has a total fund balance of \$14,242, of which \$13,321 is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$13,139.

Proprietary funds. The City of Denham Springs' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year amounted to \$10,454,126. The total growth in net assets for the enterprise fund is \$166,695. Other factors concerning the enterprise fund have already been addressed in the discussion of the City of Denham Springs' business-type activities.

General Fund Budgetary Highlights

Major differences between the original budget and the final amended budget of the General Fund are briefly summarized as follows:

Revenues:

Total budgeted revenues were increased by \$292,382 over the original budget.

- Sales tax revenues were increased by \$200,000 due to original conservative projections.
- Cable franchise tax revenue was increased by \$22,339 due to actual amounts collected.
- Fines and forfeits revenues were increased by \$50,000 due to the original conservative projections.
- Fire department grant revenues were increased by \$18,900 due to the receipt of a FEMA grant to be used to purchase a portable “smoke” house trailer to be used in fire fighter training.

Expenditures:

Total budgeted appropriations were increased by \$757,186 over the original budgeted appropriation.

- Included \$416,950 in depreciation expense in the final amended budget.
- Increased transfers to the Capital Projects Fund by \$185,700 to increase funding of current and future capital projects.
- Included \$15,600 in the amended budget for the purchase of a storage building for record retention.
- Included \$10,650 in the amended budget for cost of annexation.
- Included \$20,343 in the amended budget for the purchase of a portable “smoke” house trailer to be used in fire fighting training.

Major differences between the actual results of the general fund and the final amended budget are as follows:

- The City actually collected \$93,182 more sales tax than the \$4,100,000 budgeted.
- The City actually collected \$41,791 more occupational licenses than the \$500,000 budgeted.
- The City received an insurance premium rebate of \$95,811 in June 2002 that was not budgeted. This was due because of premiums paid in previous years.
- The City failed to obtain several small law enforcement grants as they had in previous years and grant revenue was below budget by \$143,454.
- Although numerous line items in various departments may have exceeded the amended budget for that line, no departments’ total expenditures exceeded the total departments’ budget, even after making an adjustment not to include depreciation, except for the Arts Council which exceeded its budget of \$27,389 by \$4,386 or 16%.

Capital Asset and Debt Administration

Capital assets. The City of Denham Springs’ investment in capital assets for its governmental and business type activities as of June 30, 2002, amounts to \$13,786,528 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, roads, highways, and drainage. The total increase in the City of Denham Springs’ investment in capital assets for the current fiscal year was 1 percent (a 1 percent increase for governmental activities and a 1 percent increase for business-type activities).

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

- Pete’s Highway sewer pump station renovation project completed as of fiscal year ended June 30, 2002 at a total project cost of \$688,533.
- Range Road corridor project is currently in the environmental phase; total project cost as of fiscal year ended June 30, 2002 had reached \$325,981, \$252,100 has been reimbursed by grants.

- Rodeo Drive overlay and drainage project has commenced; total project cost as of fiscal year ended June 30, 2002 had reached \$93,372.
- South Range Avenue sidewalk project engineering for final design services was completed at a cost of \$4,611 during the current fiscal year. Total preliminary and final design engineering fees paid to June 30, 2002 are \$13,833. Subsequent to June 30, 2002, construction of the sidewalks was begun.
- Hatchell Lane sidewalk project preliminary design engineering was completed at a cost of \$12,716 during the current fiscal year.

(Net of Accumulated Depreciation)
June 30, 2002

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 628,671	\$ 159,575	\$ 788,246
Buildings and Improvements	2,228,365	21,901	2,250,266
Gas System	-	1,084,002	1,084,002
Water System	-	3,126,530	3,126,530
Sewer System	-	11,003,153	11,003,153
Machinery and Equipment	1,619,121	393,373	2,012,494
Infrastructure	1,889,395	-	1,889,395
Construction in Progress	<u>195,374</u>	<u>-</u>	<u>195,374</u>
Total	<u>\$ 6,560,926</u>	<u>\$ 15,788,534</u>	<u>\$ 22,349,460</u>

Additional information on the City of Denham Springs' capital assets can be found in note 8 on pages 64 - 67 of this report.

Long-term debt. At the end of the current fiscal year, the City of Denham Springs had total bonded debt outstanding of \$856,198. Of this amount, \$842,877 comprises debt secured solely by utility user charges, and \$13,321 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

City of Denham Springs
 General Obligation and Revenue Bonds
 June 30, 2002

	Governmental Activities	Business-Type Activities	Total
Special Assessment Debt with Governmental Commitment	\$ 13,321	\$ -	\$ 13,321
Revenue Bond	-	842,877	842,877
Total	\$ 13,321	\$ 842,877	\$ 856,198

During the current fiscal year, the City of Denham Springs' total debt decreased by \$224,804 (21.6 percent). This resulted because regular debt payments were timely paid. No new debt was issued during the fiscal year ended June 30, 2002.

Additional information on the City's long-term debt can be found in note 9 on pages 67 – 70 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Denham Springs is currently 6.0 percent, which is an increase from a rate of 5.4 percent a year ago. This compares favorably to the state's average unemployment rate of 6.1 percent and the national average rate of 5.9 percent.
- The occupancy rate of the City's central business district has remained at 97 percent for the past several years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Denham Springs' budget for the 2003 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$2,556,216. The City has appropriated \$1,052,827 of this amount for spending in the 2003 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2003 fiscal year. It also will allow continued funding for major capital projects.

The City of Denham Springs' general fund receives approximately 63% of its revenues from the 1½% general sales and use tax levied by the City of Denham Springs. Because of the uncertainties in the national economy as well as Louisiana's economy, the City took a conservative approach and actually budgeted a 4.6% decline in sales tax receipts for the 2003 fiscal year.

Of the \$1,052,827 general fund unreserved fund balance being used in the 2003 fiscal year budget, \$601,247 or 57% represents amounts being used for capital projects, while \$412,275 or 39% represents cost of living salary increases along with related benefit increases. The largest projected benefit increase is in the area of group health insurance where it is anticipated that group insurance will increase by 35% or \$137,457.

Requests for Information

This financial report is designed to provide a general overview of the City of Denham Springs' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, c/o City of Denham Springs, P.O. Box 1629, Denham Springs, Louisiana, 70727-1629.

BASIC FINANCIAL STATEMENTS

CITY OF DENHAM SPRINGS

STATEMENT OF NET ASSETS

JUNE 30, 2002

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City Court of Denham Springs Ward II	Marshal of City Court of Denham Springs Ward II
ASSETS					
Cash and Cash Equivalents	\$ 1,770,990	\$ 475,132	\$ 2,246,122	\$ 173,594	\$ 69,151
Investments	1,510,000	1,913,631	3,423,631	145,000	20,270
Receivables, Net	149,314	461,860	611,174	5,055	78
Due from Other Governments	748,484	9,645	758,129	-	-
Due from Component Unit	5,889	-	5,889	-	-
Internal Balances	(20,854)	20,854	-	-	-
Inventories	24,201	124,814	149,015	-	-
Prepaid Items	-	6,046	6,046	-	-
Restricted Assets:					
Investments	-	465,000	465,000	-	-
Capital Assets:					
Land and Construction in Progress	824,045	159,575	983,620	-	-
Other Capital Assets, Net of Depreciation	5,736,881	15,628,959	21,365,840	41,787	60,848
Total Assets	<u>\$ 10,748,950</u>	<u>\$ 19,265,516</u>	<u>\$ 30,014,466</u>	<u>\$ 365,436</u>	<u>\$ 150,347</u>
LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 288,626	\$ 749,866	\$ 1,038,492	\$ 3,772	\$ 8,399
Due to Primary Government	-	-	-	-	5,889
Non-Current Liabilities:					
Due Within One Year	92,626	226,954	319,580	-	-
Due in More Than One Year	237,915	615,341	853,256	-	-
Total Liabilities	619,167	1,592,161	2,211,328	3,772	14,288
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	6,560,926	7,225,602	13,786,528	41,787	60,848
Restricted for:					
Debt Service	13,321	-	13,321	-	-
Cemetery Care	476,441	-	476,441	-	-
Unrestricted	3,079,095	10,447,753	13,526,848	319,877	75,211
Total Net Assets	<u>10,129,783</u>	<u>17,673,355</u>	<u>27,803,138</u>	<u>361,664</u>	<u>136,059</u>
Total Liabilities and Net Assets	<u>\$ 10,748,950</u>	<u>\$ 19,265,516</u>	<u>\$ 30,014,466</u>	<u>\$ 365,436</u>	<u>\$ 150,347</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 1,379,014	\$ -	\$ 9,657	\$ -
Public Safety	3,672,912	501,648	286,156	-
Highways and Streets	1,374,390	13,364	-	44,000
Health	29,098	-	-	-
Culture and Recreation	77,645	21,536	200	-
Interest on Special Assessment Certificate of Indebtedness	1,545	-	-	3,907
Payments to Component Units	98,125	-	-	-
Total Governmental Activities	6,632,729	536,548	296,013	47,907
Business-Type Activities:				
Gas	2,336,007	2,636,736	-	-
Water	867,579	1,061,116	-	-
Sewer	1,018,507	572,769	-	32,935
Sanitation	612,943	552,543	-	-
Total Business Type Activities	4,835,036	4,823,164	-	32,935
Total Primary Government	\$ 11,467,765	\$ 5,359,712	\$ 296,013	\$ 80,842
Component Units:				
City Court of Denham Springs - Ward II	\$ 266,419	216,464	29,859	-
Marshal of City Court of Denham Springs - Ward II	333,543	176,271	119,978	-
Total Component Units	\$ 599,962	\$ 392,735	\$ 149,837	\$ -

General Revenues:

Taxes:

Property

Sales

Occupational and Permits

Franchise

Other Grants and Contributions not Restricted to Specific Programs

Interest Income

Gain on Sale of Asset

Payments from the City of Denham Springs

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

The accompanying notes constitute an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	City Court of Denham Springs Ward II	Marshal of City Court of Denham Springs - Ward II
\$ (1,369,357)	\$ -	\$ (1,369,357)	\$ -	\$ -
(2,885,108)	-	(2,885,108)	-	-
(1,317,026)	-	(1,317,026)	-	-
(29,098)	-	(29,098)	-	-
(55,909)	-	(55,909)	-	-
2,362	-	2,362	-	-
(98,125)	-	(98,125)	-	-
(5,752,261)	-	(5,752,261)	-	-
-	300,729	300,729	-	-
-	193,537	193,537	-	-
-	(412,803)	(412,803)	-	-
-	(60,400)	(60,400)	-	-
-	21,063	21,063	-	-
(5,752,261)	21,063	(5,731,198)	-	-
-	-	-	(20,096)	-
-	-	-	-	(37,294)
-	-	-	(20,096)	(37,294)
159,204	-	159,204	-	-
4,193,182	-	4,193,182	-	-
627,006	-	627,006	-	-
536,375	-	536,375	-	-
204,170	42,739	246,909	4,183	1,770
87,980	96,520	184,500	13,229	1,827
5,452	-	5,452	-	-
-	-	-	45,015	53,110
5,813,369	139,259	5,952,628	62,427	56,707
61,108	160,322	221,430	42,331	19,413
10,068,675	17,513,033	27,581,708	319,333	116,646
<u>\$ 10,129,783</u>	<u>\$ 17,673,355</u>	<u>\$ 27,803,138</u>	<u>\$ 361,664</u>	<u>\$ 136,059</u>

CITY OF DENHAM SPRINGS

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2002

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,032,972	\$ 693,454	\$ 1,726,426
Investments, at Cost	900,000	610,000	1,510,000
Receivables:			
Ad Valorem Taxes, Net	115	-	115
Special Assessments	-	2,693	2,693
Other	131,317	15,085	146,402
Due from Other Funds	2,065	-	2,065
Due from Other Governments	704,484	44,000	748,484
Due from Component Units	5,889	-	5,889
Total Assets	\$ 2,776,842	\$ 1,365,232	\$ 4,142,074
LIABILITIES			
Accounts Payable	\$ 59,609	\$ 68,256	\$ 127,865
Retainages Payable	-	12,473	12,473
Payroll Taxes Payable	1,440	-	1,440
Retirement and Group Insurance Payable	2,312	-	2,312
Accrued Salaries and Wages	114,340	-	114,340
Due to Other Funds	28,091	2,065	30,156
Deferred Revenues	-	2,693	2,693
Other Liabilities	14,834	-	14,834
Total Liabilities	220,626	85,487	306,113
FUND BALANCES			
Fund Balance:			
Reserved for Debt Service	-	13,321	13,321
Reserved for Cemetery Expenditures	-	476,441	476,441
Unreserved:			
Designated for Construction	-	789,062	789,062
Undesignated	2,556,216	921	2,557,137
Total Fund Balances	2,556,216	1,279,745	3,835,961
Total Liabilities and Fund Balances	\$ 2,776,842	\$ 1,365,232	\$ 4,142,074

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2002

Fund Balances-Total Governmental Funds		\$ 3,835,961
<p>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</p>		
<p>Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds</p>		
Governmental Capital Assets	\$ 10,395,657	
Less Accumulated Depreciation	<u>(3,847,039)</u>	6,548,618
<p>Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported in the Governmental Funds:</p>		
1993 Paving Certificates Payable	(13,321)	
Compensated Absences Payable	<u>(313,567)</u>	(326,888)
<p>The Motor Pool Internal Service Fund is Used by Management to Charge the Cost of Vehicle Repairs to Individual Funds. The Assets and Liabilities of the Internal Service Fund are Included in Governmental Activities in the Statement of Net Assets</p>		
Motor Pool Internal Service Fund Net Assets	65,719	
Current Year Net Loss Allocated to Business-Type Activities	<u>6,373</u>	<u>72,092</u>
Net Assets of Governmental Activities		<u>\$ 10,129,783</u>

The accompanying notes constitute an integral part of this statement.

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

FOR THE YEAR ENDED JUNE 30, 2002

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Special Assessments	\$ -	\$ 3,907	\$ 3,907
Taxes	4,935,933	-	4,935,933
Licenses and Permits	627,006	-	627,006
Fines and Forfeits	244,035	-	244,035
911 Service Fees	197,785	-	197,785
Interest	59,518	26,944	86,462
Miscellaneous	535,577	55,536	591,113
Total Revenues	6,599,854	86,387	6,686,241
Expenditures:			
Current:			
General Government	1,326,810	3,293	1,330,103
Public Safety	3,684,433	-	3,684,433
Highways and Streets	1,184,453	141,218	1,325,671
Health	29,098	-	29,098
Culture and Recreation	77,645	-	77,645
Payments to Component Units	98,125	-	98,125
Capital Outlay:			
Highways and Streets	-	110,699	110,699
Debt Service:			
Principal Retirement	-	13,321	13,321
Interest	-	1,545	1,545
Total Expenditures	6,400,564	270,076	6,670,640
Excess (Deficiency) of Revenues over Expenditures	199,290	(183,689)	15,601
Other Financing Sources (Uses):			
Operating Transfers In	-	485,700	485,700
Operating Transfers Out	(485,700)	-	(485,700)
Sale of Assets	18,116	-	18,116
Total Other Financing Sources (Uses)	(467,584)	485,700	18,116
Net Change in Fund Balances	(268,294)	302,011	33,717
Fund Balances at Beginning of Year	2,824,510	977,734	3,802,244
Fund Balances at End of Year	\$ 2,556,216	\$ 1,279,745	\$ 3,835,961

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2002

Net Change in Fund Balances - Total Governmental Funds		\$ 33,717
<p>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</p>		
<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	561,230	
Depreciation Expense	<u>(518,377)</u>	42,853
<p>In the Statement of Activities, Only the Gain on the Sale of Capital Assets is Reported. However, in the Governmental Funds, the Proceeds from the Sale Increase Financial Resources. Thus, the Change in Net Assets Differs from the Change in Fund Balance by the Cost of the Capital Assets Sold.</p>		
		(12,665)
<p>The Repayment of Principal on Long-Term Debt Consumes Current Financial Resources of Governmental Funds Which has no Effect on Net Assets.</p>		
		13,321
<p>Some Expenses Reported in the Statement of Activities do not Require the use of Current Financial Resources and are not Reported as Expenditures in Governmental Funds.</p>		
Increase in Compensated Absences Payable		(7,863)
<p>Internal Service Funds are Used by Management to Charge the Costs of Certain Activities to Individual Funds. The Net Revenue (Expense) of the Internal Service Funds is Reported with Governmental Activities.</p>		
		<u>(8,255)</u>
Change in Net Assets of Governmental Activities		<u>\$ 61,108</u>

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
GENERAL FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Ad Valorem Taxes	\$ 140,000	\$ 150,000	\$ 159,204	\$ 9,204
Alcoholic Beverage Tax	25,000	25,000	28,634	3,634
Chain Store Tax	16,600	16,600	18,538	1,938
Electrical Franchise Taxes	425,000	425,000	437,017	12,017
Sales Taxes	3,900,000	4,100,000	4,193,182	93,182
Cable TV Franchise Tax	75,000	97,339	97,339	-
Wrecker Franchise Tax	1,600	1,600	2,019	419
	<u>4,583,200</u>	<u>4,815,539</u>	<u>4,935,933</u>	<u>120,394</u>
Licenses and Permits:				
Occupational Licenses	500,000	500,000	541,791	41,791
Other Permits and Licenses	82,650	84,850	85,215	365
	<u>582,650</u>	<u>584,850</u>	<u>627,006</u>	<u>42,156</u>
Fines and Forfeits:				
Ward II Court	205,500	255,500	244,035	(11,465)
911 Service Fees	180,000	180,000	197,785	17,785

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Miscellaneous:				
Dog Licenses and Fees	9,000	9,000	8,191	(809)
Fire Insurance Commissions	18,000	18,000	22,720	4,720
Insurance Premium Rebate	-	-	95,811	95,811
Interest Income	80,000	55,000	59,518	4,518
Royalties	30,000	30,000	26,245	(3,755)
Miscellaneous	30,200	31,600	51,637	20,037
Law Enforcement Grants	240,000	240,000	96,546	(143,454)
Fire Department Grants	-	18,900	18,900	-
Other Grant Revenue	10,200	-	200	200
Road Maintenance Fees	13,360	13,360	13,364	4
Intergovernmental Revenue	180,000	180,000	170,710	(9,290)
Rent Income	100	100	60	(40)
FEMA Disaster Grant	-	9,600	9,657	57
Arts Council Revenue	8,700	22,012	21,536	(476)
	<u>619,560</u>	<u>627,572</u>	<u>595,095</u>	<u>(32,477)</u>
Total Revenues	<u>\$ 6,170,910</u>	<u>\$ 6,463,461</u>	<u>\$ 6,599,854</u>	<u>\$ 136,393</u>

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government:				
General Provisions:				
Salaries	\$ 229,944	\$ 239,944	\$ 235,078	\$ 4,866
Aldermen's Per Diem	40,000	40,000	37,000	3,000
Payroll Taxes, Retirement, and Group Insurance	63,017	63,017	58,515	4,502
Building Improvements	-	15,600	14,726	874
Chamber of Commerce	10,000	10,000	10,000	-
Contingency	50,000	50,000	-	50,000
Depreciation	-	42,000	-	42,000
Electricity	20,000	20,000	14,761	5,239
Equipment Purchased	-	-	9,160	(9,160)
Insurance	19,494	19,494	19,771	(277)
Legal and Professional	75,500	101,575	129,841	(28,266)
Membership Fees and Educational Training	12,000	20,000	20,472	(472)
Miscellaneous	62,820	64,420	59,687	4,733
Printing, Postage and Office Supplies	42,500	42,500	46,232	(3,732)
Rental Equipment	8,000	8,000	4,220	3,780
Repairs and Maintenance	52,000	52,000	59,622	(7,622)
Small Tools and Supplies	9,000	9,000	20,577	(11,577)
Telephone	17,400	17,400	24,658	(7,258)
Travel	5,300	5,300	4,443	857
Total General Provisions	<u>716,975</u>	<u>820,250</u>	<u>768,763</u>	<u>51,487</u>
Cemetery:				
Salaries	46,425	46,825	47,355	(530)
Payroll Taxes, Retirement, and Group Insurance	12,592	12,592	12,312	280

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
General Government (Continued):				
Cemetery (Continued):				
Depreciation	-	4,000	-	4,000
Equipment Expense	3,500	2,600	572	2,028
Legal and Professional	1,000	1,000	385	615
Repairs and Maintenance	4,600	7,600	4,645	2,955
Insurance	5,860	5,860	5,028	832
Miscellaneous	3,210	3,210	1,836	1,374
Small Tools	1,000	1,500	4,411	(2,911)
	<u>78,187</u>	<u>85,187</u>	<u>76,544</u>	<u>8,643</u>
Tax:				
Salaries	45,440	45,440	39,770	5,670
Payroll Taxes, Retirement, and Group Insurance	9,079	9,079	7,676	1,403
Collection Fee	70,000	70,000	68,149	1,851
Depreciation	-	1,450	-	1,450
Equipment Expense	800	800	785	15
Insurance	1,143	1,143	1,533	(390)
Legal and Professional	1,350	1,350	489	861
Miscellaneous	2,400	2,400	704	1,696
Printing, Postage and and Office Supplies	6,500	6,500	7,108	(608)
Small Tools and Supplies	5,200	5,200	3,939	1,261
Tax Roll	1,200	4,700	4,669	31
	<u>143,112</u>	<u>148,062</u>	<u>134,822</u>	<u>13,240</u>

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Ward Court:				
Group Insurance	5,938	7,258	8,062	(804)
Judge's Salary	26,000	26,000	25,800	200
Judge's Retirement	3,380	3,380	3,354	26
Building Maintenance	7,000	7,000	1,314	5,686
Additional Court Costs	13,500	7,000	2,401	4,599
Depreciation	-	15,200	-	15,200
Prosecuting Attorney	12,000	12,000	12,000	-
	<u>67,818</u>	<u>77,838</u>	<u>52,931</u>	<u>24,907</u>
Planning and Zoning:				
Salaries	123,589	123,589	118,924	4,665
Payroll Taxes, Retirement, and Group Insurance	29,152	29,152	22,216	6,936
Depreciation	-	9,000	-	9,000
Equipment Purchased	20,000	18,500	18,219	281
Insurance	10,664	10,664	10,337	327
Legal and Professional	10,000	6,000	7,440	(1,440)
Miscellaneous	11,800	11,900	9,091	2,809
Demolition Expense	10,000	10,000	-	10,000
Printing, Postage and Office Supplies	6,200	7,700	4,567	3,133
Small Tools and Supplies	700	5,000	6,480	(1,480)
Vehicle Expense	5,000	4,600	4,193	407
	<u>227,105</u>	<u>236,105</u>	<u>201,467</u>	<u>34,638</u>

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Public Service Workers:				
Salaries	49,758	61,342	60,567	775
Payroll Taxes, Retirement, and Group Insurance	12,963	14,139	14,633	(494)
Vehicle Expense	7,800	6,500	4,145	2,355
Equipment Repairs	1,000	1,000	38	962
Small Tools and Supplies	2,000	2,000	538	1,462
Depreciation	-	4,000	-	4,000
Electricity	3,700	3,700	3,009	691
Insurance	7,008	7,008	6,704	304
Miscellaneous	3,500	4,300	2,649	1,651
Total Public Service Workers	<u>87,729</u>	<u>103,989</u>	<u>92,283</u>	<u>11,706</u>
Total General Government	<u>1,320,926</u>	<u>1,471,431</u>	<u>1,326,810</u>	<u>144,621</u>
Public Safety:				
Animal Control:				
Salaries	35,682	35,682	39,714	(4,032)
Payroll Taxes, Retirement, and Group Insurance	10,759	10,759	10,365	394
Depreciation	-	7,000	-	7,000
Electricity	2,500	2,500	2,808	(308)
Animal Care Expense	5,400	5,400	3,517	1,883
Equipment Expense	3,100	3,000	1,937	1,063
Insurance	3,304	3,304	3,357	(53)
Miscellaneous	8,850	8,950	5,181	3,769
Small Tools and Supplies	4,600	4,600	5,295	(695)
Total Animal Control	<u>74,195</u>	<u>81,195</u>	<u>72,174</u>	<u>9,021</u>

(CONTINUED)

CITY OF DENHAM SPRINGS
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety:				
Fire:				
Salaries	826,115	831,115	821,537	9,578
Payroll Taxes, Retirement, and Group Insurance	224,472	224,472	206,594	17,878
Electricity	7,500	7,500	6,747	753
Legal and Professional	200	500	1,400	(900)
Depreciation	-	55,000	-	55,000
Equipment Purchased	-	20,343	20,343	-
Equipment Expense	23,000	28,000	26,757	1,243
Insurance	57,600	58,900	74,184	(15,284)
Membership Fees and Educational Training	18,000	18,000	14,973	3,027
Miscellaneous	1,520	2,420	2,612	(192)
Printing, Postage and Office Supplies	1,000	1,600	1,670	(70)
Repairs and Maintenance	16,500	8,500	7,551	949
Small Tools and Supplies	50,200	43,650	16,101	27,549
Telephone	6,000	6,000	6,603	(603)
Uniforms	6,500	6,500	6,616	(116)
Total Fire	<u>1,238,607</u>	<u>1,312,500</u>	<u>1,213,688</u>	<u>98,812</u>
Police:				
Salaries	1,428,920	1,428,920	1,408,857	20,063
Payroll Taxes, Retirement, and Group Insurance	361,145	361,145	350,085	11,060

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Public Safety (Continued):				
Police (Continued):				
Depreciation	-	185,000	-	185,000
Electricity	30,000	30,000	21,320	8,680
Equipment Purchased	263,250	192,200	241,174	(48,974)
Equipment Expense	124,000	116,500	94,277	22,223
Equipment Rental	4,500	3,000	1,075	1,925
Insurance	136,192	137,192	122,309	14,883
Jail Expense	1,000	1,500	1,103	397
Membership Fees and Educational Training	23,000	23,000	16,090	6,910
Miscellaneous	15,450	19,868	19,618	250
Printing, Postage and Office Supplies	12,800	12,800	11,085	1,715
Professional Fees	4,000	6,500	7,095	(595)
Repairs and Maintenance	61,000	61,000	19,931	41,069
Small Tools and Supplies	6,000	77,550	46,469	31,081
Telephone	14,500	14,500	19,802	(5,302)
Uniforms	23,000	23,000	18,281	4,719
Total Police	<u>2,508,757</u>	<u>2,693,675</u>	<u>2,398,571</u>	<u>295,104</u>
Total Public Safety	<u>3,821,559</u>	<u>4,087,370</u>	<u>3,684,433</u>	<u>402,937</u>
Highway and Streets:				
Streets:				
Salaries	494,945	494,945	470,951	23,994
Payroll Taxes, Retirement, and Group Insurance	129,084	129,084	116,022	13,062
Depreciation	-	85,000	-	85,000
Electricity	5,000	5,000	9,396	(4,396)
Equipment Purchased	153,000	147,000	146,909	91

(CONTINUED)

CITY OF DENHAM SPRINGS
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Highway and Streets (Continued):				
Streets (Continued):				
Equipment Expense	98,100	98,250	86,941	11,309
Equipment Rental	16,000	18,000	29,877	(11,877)
Insurance	64,046	66,546	66,565	(19)
Uniforms	7,000	9,700	9,774	(74)
Legal and Professional	1,000	1,000	360	640
Streets Maintenance and Materials	79,000	107,500	116,017	(8,517)
Miscellaneous	13,250	13,750	8,136	5,614
Small Tools and Supplies	13,000	25,000	32,087	(7,087)
Telephone	6,000	6,000	7,518	(1,518)
Total Streets	1,079,425	1,206,775	1,100,553	106,222
Lighting:				
Electricity	107,000	97,000	83,900	13,100
Total Lighting	107,000	97,000	83,900	13,100
Total Highways and Streets	1,186,425	1,303,775	1,184,453	119,322
Health:				
Council on Aging	18,800	28,100	13,489	14,611
Denham Spring Housing Authority	-	5,000	4,723	277
Youth and Family Counseling	12,000	12,000	10,886	1,114
Total Health	30,800	45,100	29,098	16,002

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Culture and Recreation:				
Main Street Program:				
Salaries	25,940	25,940	25,996	(56)
Payroll Taxes, Retirement, and Group Insurance	6,756	6,756	6,275	481
Committee Expenses	5,000	5,000	2,925	2,075
Equipment Rental	2,400	2,400	-	2,400
Grant Expenses	-	-	1,248	(1,248)
Insurance	888	888	1,370	(482)
Membership Fees and Educational Training	4,900	4,900	1,384	3,516
Printing, Postage and Office Supplies	3,275	3,275	3,829	(554)
Telephone	1,800	1,800	1,916	(116)
Travel	1,250	1,250	927	323
	<u>52,209</u>	<u>52,209</u>	<u>45,870</u>	<u>6,339</u>
Total Main Street Program				
Arts Council:				
Art Class Expenses	-	6,800	6,579	221
Committee Expenses	5,000	200	10,110	(9,910)
Contract Labor	-	4,500	3,406	1,094
Program Expenses	-	12,989	10,630	2,359

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Culture and Recreation (Continued):				
Arts Council (Continued):				
Membership Fees and Educational Training	600	150	150	-
Miscellaneous	170	500	-	500
Printing, Postage and Office Supplies	2,030	1,350	900	450
Travel	900	900	-	900
Total Arts Council	<u>8,700</u>	<u>27,389</u>	<u>31,775</u>	<u>(4,386)</u>
Total Culture and Recreation	<u>60,909</u>	<u>79,598</u>	<u>77,645</u>	<u>1,953</u>
Payments to Component Units	<u>92,500</u>	<u>97,500</u>	<u>98,125</u>	<u>(625)</u>
Total Expenditures	<u>6,513,119</u>	<u>7,084,774</u>	<u>6,400,564</u>	<u>684,210</u>
Excess (Deficiency) of Revenues Over Expenditures	(342,209)	(621,313)	199,290	820,603
Other Financing Sources (Uses):				
Operating Transfers Out	(300,000)	(485,700)	(485,700)	-
Sale of Assets	20,000	20,000	18,116	(1,884)
Net Change in Fund Balances	(622,209)	(1,087,013)	(268,294)	818,719
Fund Balance at Beginning of Year	<u>2,824,510</u>	<u>2,824,510</u>	<u>2,824,510</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,202,301</u>	<u>\$ 1,737,497</u>	<u>\$ 2,556,216</u>	<u>\$ 818,719</u>

The accompanying notes constitute an integral part of this statement.

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CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2002

	<u>Business-Type Activities - Utility Enterprise Fund</u>	<u>Governmental Activities - Motor Pool Internal Service Fund</u>
Current Assets:		
Cash and Cash Equivalents	\$ 475,132	\$ 44,564
Investments:		
Certificates of Deposit - (Maturities Greater than 90 Days)	1,913,631	-
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of \$79,000)	205,114	-
Other	26,281	104
Unbilled Utility Sales	230,465	-
Due from Other Funds	27,227	864
Due from Other Governments	9,645	-
	498,732	968
Inventory, at Cost	124,814	24,201
Prepaid Expenses	6,046	-
Total Current Assets	3,018,355	69,733
Noncurrent Assets:		
Restricted Assets:		
Certificate of Deposit - Customer Deposit Account (Maturity Greater Than 90 Days)	465,000	-
Total Restricted Assets	465,000	-
Capital Assets, at Cost (Net of Accumulated Depreciation)	15,788,534	12,308
Total Assets	\$ 19,271,889	\$ 82,041

The accompanying notes constitute an integral part of this statement.

	<u>Business-Type Activities - Utility Enterprise Fund</u>	<u>Governmental Activities - Motor Pool Internal Service Fund</u>
Current Liabilities (Payable from Current Assets):		
Accounts Payable	\$ 131,488	\$ 10,410
Retainage Payable	33,650	-
Accrued Salaries and Wages	37,217	-
Accumulated Unpaid Vacation	10,170	-
Other Current Liabilities	15,941	2,259
Bonds Payable - 1998 Series - Current Portion	216,784	-
Accrued Bond Interest	15,172	-
Total Current Liabilities (Payable from Current Assets)	460,422	12,669
Current Liabilities (Payable from Restricted Assets):		
Customers' Deposits	516,398	-
Total Current Liabilities (Payable from Restricted Assets)	516,398	-
Noncurrent Liabilities:		
Accumulated Unpaid Vacation	30,522	3,653
Bonds Payable (Net of Deferred Amount on Refunding)	584,819	-
Total Noncurrent Liabilities	615,341	3,653
Total Liabilities	1,592,161	16,322
Net Assets		
Invested in Capital Assets, Net of Related Debt	7,225,602	12,308
Unrestricted	10,454,126	53,411
Total Net Assets	17,679,728	65,719
Total Liabilities and Net Assets	\$ 19,271,889	\$ 82,041
Adjustment to reflect the consolidation of the Motor Pool Internal Service Fund Activities as they relate to the Utility Enterprise Fund		
	(6,373)	
Net Assets of Business-Type Activities	\$ 17,673,355	

**CITY OF DENHAM SPRINGS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Business-Type Activities - Utility Enterprise Fund</u>	<u>Governmental Activities - Motor Pool Internal Service Fund</u>
Operating Revenues:		
Charges for Services	\$ 4,823,164	\$ 291,282
Total Operating Revenues	4,823,164	291,282
Operating Expenses:		
Personal Services and Benefits	1,160,356	66,711
Contractual Services	719,939	839
Cost of Materials	1,316,400	227,778
Utilities	226,454	427
Repair and Maintenance	427,947	1,329
Supplies	149,006	2,036
Insurance	90,242	5,742
Depreciation	628,211	3,192
Bad Debts	22,000	-
Total Operating Expenses	4,740,555	308,054
Operating Income (Loss)	82,609	(16,772)
Nonoperating Revenues:		
Interest	96,520	1,518
Miscellaneous	42,739	626
Total Nonoperating Revenues	139,259	2,144
Nonoperating Expenses:		
Interest	72,927	-
Amortization of Bond Costs	15,181	-
Total Nonoperating Expenses	88,108	-
Income Before Contributions	133,760	(14,628)
Capital Contributions - Impact Fees	32,935	-
Change in Net Assets	166,695	(14,628)
Total Net Assets at Beginning of Year		<u>80,347</u>
Total Net Assets at End of Year		<u>\$ 65,719</u>
Some amounts reported for business-type activities in the Statement of Activities (Exhibit A-2) are different because a portion (38%) of the net expense of the Motor Pool Internal Service Fund is reported with business-type activities.	(6,373)	
Change in Net Assets of Business-Type Activities	<u>\$ 160,322</u>	

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Business-Type Activities - Utility Enterprise Fund</u>	<u>Governmental Activities - Motor Pool Internal Service Fund</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 4,883,792	\$ 290,459
Cash Payments to Suppliers for Goods and Services	(3,050,681)	(256,486)
Cash Payments to Employees for Services and Benefits	(1,149,266)	(65,246)
Other Receipts (Payments)	32,280	626
	<hr/>	<hr/>
Net Cash Provided by (Used in) Operating Activities	716,125	(30,647)
Cash Flows From Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(800,617)	-
Net Receipts from Customer Deposits	27,733	-
Principal Paid on Revenue Bonds	(226,664)	-
Capital Contributions	32,935	-
Interest Paid on Revenue Bonds	(72,927)	-
	<hr/>	<hr/>
Net Cash Used in Capital and Related Financing Activities	(1,039,540)	-
Cash Flows From Investing Activities:		
Proceeds from Sales and Maturities of Investments	15,040	-
Interest Income	96,520	1,518
	<hr/>	<hr/>
Net Cash Provided by Investing Activities	111,560	1,518
Net Decrease in Cash and Cash Equivalents	(211,855)	(29,129)
Cash and Cash Equivalents - Beginning of Year	686,987	73,693
	<hr/>	<hr/>
Cash and Cash Equivalents - End of Year	\$ 475,132	\$ 44,564
	<hr/> <hr/>	<hr/> <hr/>
Schedule of Noncash Investing, Capital and Financing Activities:		
Amortization of Deferred Bond Expense	\$ 15,181	\$ -
	<hr/> <hr/>	<hr/> <hr/>

(CONTINUED)

**CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Business-Type Activities - Utility Enterprise Fund</u>	<u>Governmental Activities - Motor Pool Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	\$ 82,609	\$ (16,772)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	628,211	3,192
Provision for Bad Debts	22,000	-
Miscellaneous Revenues	42,739	626
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(14,441)	-
(Increase) Decrease in Other Receivables	69,152	-
(Increase) Decrease in Unbilled Utility Sales	22,330	-
(Increase) Decrease in Due from Other Funds	(27,227)	(864)
(Increase) Decrease in Due from Government Agencies	355	-
(Increase) Decrease in Inventory	(25,975)	(9,861)
(Increase) Decrease in Prepaid Expenses	(3,693)	-
(Increase) Decrease in Other Assets	-	41
Increase (Decrease) in Accounts Payable	(59,636)	(7,633)
Increase (Decrease) in Retainage Payable	(4,105)	-
Increase (Decrease) in Accrued Salaries and Wages	6,221	-
Increase (Decrease) Due to Other Government Agencies	(3,114)	-
Increase (Decrease) in Other Current Liabilities	(20,090)	(841)
Increase (Decrease) in Accrued Bond Interest	(4,080)	-
Increase (Decrease) in Accumulated Unpaid Vacation	4,869	1,465
Net Cash Provided by (Used in) Operating Activities	<u>\$ 716,125</u>	<u>\$ (30,647)</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

(1) Summary of Significant Accounting Policies -

A. Financial Reporting Entity

The City of Denham Springs "the City" was incorporated May 8, 1903, under the provisions of R.S. 33:321-48. The City operates under a Mayor - City Council form of government and provides the following services as authorized by its charter: public safety (police, animal control, and fire), highways and streets, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Denham Springs, Louisiana, and its component units, entities for which the City of Denham Springs is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Each discretely presented component unit has a June 30, 2002 year end.

The financial reporting entity consists of (1) the primary government (all funds under the auspices of the Mayor and the City Council), (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the City to impose its will on that organization and/or

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

- b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Denham Springs (the primary government) and its component units. The component units included in the accompanying financial statements are discretely presented.

BLENDDED COMPONENT UNITS

There are no component units that have been determined by management to be reported as part of the primary government (blended) in the government-wide financial statements of the City of Denham Springs.

DISCRETELY PRESENTED COMPONENT UNITS

Component units that are legally separate from the City but are financially accountable to the City, or whose relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete are discretely presented. The component units column of the government-wide financial statements include the financial data of these discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City.

Funding for the following state constitutionally defined agencies is included in the City's general fund. These officials however, have certain statutorily defined sources of funds for their own operating and/or capital budget discretion. These funds have been discretely presented in the City's government-wide financial statements:

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

City Court of Denham Springs - Ward II - The Judge of the Court is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the City Court in that the City is required to provide the City Court office facilities and the City pays a portion of the Judge's compensation, and reimburses the Court for certain other salaries and benefits. The City's government-wide financial statements discretely presents the City Court of Denham Springs - Ward II's financial statements for the year ended June 30, 2002.

Marshal of City Court of Denham Springs - Ward II - The Marshal is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the Marshal in that the City is required to provide the Marshal's office facilities, and reimburses the Marshal's office for certain other salaries and benefits. The City's government-wide financial statements discretely presents the Marshal's financial statements for the year ended June 30, 2002.

RELATED ORGANIZATIONS

City officials are also responsible for appointing members of the board of another organization. The City's accountability does not extend beyond making the appointments.

Denham Springs Housing Authority - The Denham Springs Housing Authority is a legally separate government entity formed to administer housing programs funded by the U.S. Department of Housing and Urban Development (HUD). The City governing authority appoints a majority of the Authority's members; however, there is no financial relationship between the Authority and the primary government.

The Denham Springs Parks and Recreation District #3 of Livingston Parish is a related organization of the City, however the City officials have no responsibility for the District. The District does however include the geographic area of the City.

Denham Springs Parks and Recreation District (PARD) - PARD is a legally separate parish agency that provides parks and recreational services to the residents of Livingston Parish District #3. District #3 includes the geographic area within the City of Denham Springs.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

PARD sets its own ad valorem tax, can incur debt and owns property. The City has no budget approval, management designation or commission member removal powers. PARD finances capital and operating budgets directly from the parish constituents within District #3, and has no financial benefit/burden relationship with the City of Denham Springs.

The following agency is a non-profit corporation established pursuant to State Statutes to finance debt for various public purposes within Livingston Parish. The City Council appoints the board members of the agency. The agency is fiscally independent from the City, issues its own debt, approves its budgets, and sets its rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City is not obligated in any manner for the debt issues of this agency.

Denham Springs/Livingston Housing and Mortgage
Finance Authority

Complete financial statements for each of the City of Denham Springs component units and related organizations can be obtained at the Office of the Legislative Auditor of the State of Louisiana, 1600 North Third Street, P.O. Box 94397, Baton Rouge, LA 70804-9397, or at each of the agencies administrative offices.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental fund:

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

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

The City reports the following major proprietary fund:

The utility enterprise fund accounts for the provision of gas, water, sewer and sanitation services to the residents of the City of Denham Springs and some residents of the parishes of Livingston and East Baton Rouge. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collections.

Additionally, the City reports the following fund types:

The internal service fund accounts for services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

The debt service fund accounts for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. There are no debt service major funds.

The capital projects fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). There are no capital projects major funds.

The permanent fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's program.

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.

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

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utility fund and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service fund 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments -

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, with original maturities of three months or less from the date of acquisition.

State statutes authorizes the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments (certificates of deposit with original maturities greater than 90 days) are stated at cost.

Deposit and Investment policies of the component units are similar to those of the primary government.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

2. Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. At June 30, 2002, there were no advances between funds.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable based on agings and estimated charge-off percentages comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to three percent of the current year property tax levy plus one hundred percent of any unpaid prior year tax at June 30, 2002.

Property taxes are levied in September or October each year on property values assessed as of the same date. Billed taxes become delinquent on January 1 of the following year, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories and Prepaid Items -

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

4. Restricted Assets -

Certain proceeds and resources of the City's Utility Enterprise Fund are set aside to reimburse customers their utility deposits upon discontinuance of service.

Restricted assets at June 30, 2002 are comprised of certificates of deposits with maturities greater than 90 days when purchased.

5. Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 - 20
Building Improvements	10 - 20
Public Domain Infrastructure	50
System Infrastructure	20 - 50
Equipment	3 - 10

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

6. Compensated Absences -

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Obligations -

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

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

8. Fund Equity -

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

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

9. Post-Employment Health Care Benefits -

Retiree Benefits -

In addition to the pension benefits described in Note 11, the City provides postretirement healthcare benefits to all employees who retire from the City, as per the requirements of a local ordinance. The group insurance is paid by the City and reimbursed by the retired employee. There is no associated cost to the City under this program, and there are only ten (10) participants in the program as of June 30, 2002.

COBRA Benefits -

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums are paid by the City and reimbursed by the insured. This program is offered for a duration of eighteen (18) months after the termination date. There is no associated cost to the City under this program, and at June 30, 2002, there are six (6) participants in the program.

10. Accounting for Special Assessment Project -

Special Assessment Projects are accounted for in accordance with guidelines recommended by Statement No. 6 of the Governmental Accounting Standards Board.

Special Assessments are recognized as revenues when individual installments are considered due and payable and can be used in payment of special assessment debt.

The only Special Assessment Debt outstanding at June 30, 2002, is the balance of \$13,321 due on the 1993 Paving Certificates issued to pay the cost of the construction of street paving improvements along certain portions of certain streets in the Lakeland Acres Subdivision.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

11. Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

12. Change in Accounting Principles and Restatement of Prior Year Fund Equity -

For the fiscal year ended June 30, 2002, the City implemented the following GASB Standards:

Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments

Statement No. 36 - Recipient Reporting for Certain Shared Nonexchange Revenues

Statement No. 37 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus

Statement No. 38 - Certain Financial Statement Note Disclosures

Interpretation No. 6 - Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

The transition from governmental fund balances/proprietary funds total equity to net assets for June 30, 2001, is presented below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Total Fund Balances/Fund Equity, as Previously Reported	\$ 3,802,244	\$17,593,380	\$21,395,624
Internal Service Net Assets Reclassified to Governmental Activities	80,347	(80,347)	-
Capital Assets, Net of Depreciation	6,518,429	-	6,518,429
General Long-Term Debt	<u>(332,345)</u>	<u>-</u>	<u>(332,345)</u>
Restated Net Assets, June 30, 2001	<u>\$10,068,675</u>	<u>\$17,513,033</u>	<u>\$27,581,708</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

(2) Stewardship, Compliance and Accountability -

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Debt Service Fund and the Cemetery Care Permanent Fund which are not budgeted. All annual appropriations lapse at fiscal year end.

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

1. The City Treasurer prepares a proposed budget and submits same to the Mayor and Council no later than fifteen days prior to the beginning of each fiscal year.
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 held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.

Activities of the General Fund and the Capital Project Fund are included in the annual appropriated budget. The City is not required to prepare and does not prepare an annual appropriated budget for its Debt Service Fund, Enterprise Fund, Internal Service Fund or Cemetery Care Permanent Fund.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Any increase in departmental budgets must be approved by the City Council.

Budgeted amounts are as originally adopted, or as amended from time to time by the City Council. For the fiscal year ended June 30, 2002, the City Council approved the increase in the original expenditures and Transfers Out of the General Fund from \$6,813,119 to \$7,570,474.

The total General Fund increase amounted to \$757,355. The General Fund budget was increased by \$416,950 for depreciation expense in various departments, by \$185,700 for additional funding for various capital projects, by \$29,080 for salaries and benefits in various departments, by \$28,443 for additional equipment purchases, and by \$97,182 for various other miscellaneous expenditures of the general fund.

Budgetary data for the discretely presented component units are not presented in these financial statements.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2002, total expenditures did not exceed appropriations by more than 5% in any budgeted department, except within the Arts Council in which actual expenditures of \$31,775 exceeded budgeted expenditures of \$27,389 by \$4,386.

(3) **Deposits and Investments -**

The City has established a consolidated bank account with a local bank into which monies are deposited and from which all disbursements are now being made. The purpose of the consolidation account is to reduce administrative charges and provide a single cash balance available for the maximization of investment earnings. Each fund shares in the investment earnings of the consolidated account according to its average cash balance. Cash is transferred from those funds with available cash resources to cover any negative cash balances, if any, in other funds at year-end.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

The City also invests all excess funds in certificates of deposits, which have maturity dates greater than 90 days when purchased, and are therefore classified as investments for financial reporting.

The discretely presented component units maintain deposit accounts and investments in certificates of deposits similar to the Primary Government.

A. Deposits - Primary Government

City deposits (including demand deposit accounts and all certificates of deposits) at June 30, 2002, for the primary government of the City of Denham Springs are summarized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1	\$6,132,003	\$6,252,211
Category 2	-	-
Category 3	<u>2,750</u>	<u>-</u>
Total	<u>\$6,134,753</u>	<u>\$6,252,211</u>
Balance Sheet Classification:		
Cash and Cash Equivalents	\$2,246,122	\$2,363,580
Investments (Certificates of Deposit with Maturities of Greater than 90 Days)	3,423,631	3,423,631
Restricted Assets:		
Investments (Certificates of Deposit with Maturities of Greater than 90 Days)	<u>465,000</u>	<u>465,000</u>
	<u>\$6,134,753</u>	<u>\$6,252,211</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

The City's bank balances at June 30, 2002, are categorized into three levels of credit risk. Category 1 includes bank balances which are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes bank balances which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes bank balances which are uncollateralized, including any balances which are collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name.

B. Investments - Primary Government

The City is authorized by LRS 39:1211-1245 and 33:2955 to invest monies in the following:

1. United States Treasury Bonds
2. United States Treasury Notes
3. United States Treasury Bills
4. Obligations of U.S. Government Agencies, including such instruments as Federal Home Loan Bank bonds, Government National Mortgage Association bonds, or a variety of "Federal Farm Credit" bonds.
5. Fully collateralized certificates of deposit issued by qualified commercial banks and savings and loan associations located within the State of Louisiana.
6. Fully collateralized repurchase agreements.
7. Fully collateralized interest-bearing checking accounts.
8. 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.

At June 30, 2002, the City has only invested its excess funds in certificates of deposit with maturities of greater than 90 days. Therefore, these investments are included in Note 3A, above.

C. Deposits - Discretely Presented Component Units

The discretely presented component units are required to invest funds within the same state statutes as the primary government. Component unit deposits (including demand deposit accounts and all certificates of deposits) at June 30, 2002, are categorized below in three levels of credit risk as explained in section (a) of this note above:

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
City Court of Denham Springs - Ward II - Demand Deposits	\$368,781	\$ -	\$ -	\$368,781	\$359,788
Certificates of Deposits with Maturities Greater than 90 Days	<u>145,000</u>	<u>-</u>	<u>-</u>	<u>145,000</u>	<u>145,000</u>
Total City Court of Denham Springs - Ward II	513,781	-	-	513,781	504,788
Marshall of City Court of Denham Springs - Ward II - Demand Deposits	77,259	-	-	77,259	69,151
Certificates of Deposits with Maturities Greater than 90 Days	<u>20,270</u>	<u>-</u>	<u>-</u>	<u>20,270</u>	<u>20,270</u>
Total Marshall of City Court of Denham Springs - Ward II	<u>97,529</u>	<u>-</u>	<u>-</u>	<u>97,529</u>	<u>89,421</u>
Total Component Units	<u>\$611,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$611,310</u>	<u>\$594,209</u>

Certificates of deposits with maturities greater than 90 days are classified on the Combined Balance Sheet as investments.

D. Deposits and Investments Summary

The following is a reconciliation of the carrying amount of deposits and investments to "Cash and Cash Equivalents", "Investments", and "Restricted Assets Investments" on the Government-Wide Statement of Net Assets

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Cash and Cash Equivalents:			
Deposits	\$2,243,372	\$242,745	\$2,486,117
Cash on Hand	<u>2,750</u>	<u>-</u>	<u>2,750</u>
Total Cash and Cash Equivalents	2,246,122	242,745	2,488,867
Investments:			
Certificates of Deposits with Maturities Greater than 90 Days	<u>3,423,631</u>	<u>165,270</u>	<u>3,588,901</u>
Total Investments	3,423,631	165,270	3,588,901
Restricted Assets -			
Investments:			
Certificates of Deposit with Maturities Greater than 90 Days	<u>465,000</u>	<u>-</u>	<u>465,000</u>
Total Restricted Assets-Investments	465,000	-	465,000
Fiduciary Amounts Not Included in Statement of Net Assets	<u>-</u>	<u>186,194</u>	<u>186,194</u>
Total Cash, Cash Equivalents and Investments at June 30, 2002	<u>\$6,134,753</u>	<u>\$594,209</u>	<u>\$6,728,962</u>

(4) Ad Valorem Taxes -

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

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

The City's property taxes are now billed and collected by the Livingston Parish Tax Collector from information on assessed values received from the Livingston Parish Assessor's Office. The Tax Collector remits collections monthly to the City.

For the year ended June 30, 2002, taxes of 3.44 mills were levied on property with assessed valuations totaling \$47,502,340 and were dedicated to general purposes.

Total taxes levied were \$163,406. Taxes receivable at June 30, 2002, consisted of the following:

Taxes Receivable - Current Roll	\$ 5,017
Taxes Receivable - Prior Years	<u>4,045</u>
	9,062
Allowance for Uncollectible Taxes	<u>(8,947)</u>
	<u>\$ 115</u>

(5) Receivables -

Receivables as of June 30, 2002, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Interest</u>	<u>Ad Valorem Taxes</u>	<u>Royalties</u>	<u>Franchise Taxes</u>	<u>Special Assessments</u>	<u>Accounts</u>	<u>Unbilled Sales</u>	<u>Less: Allowance for Uncollectibles</u>	<u>Total - Net Receivable</u>
<u>Governmental Activities:</u>									
General Fund	\$ 8,111	\$ 9,062	\$ 5,529	\$102,338	\$ -	\$ 15,339	\$ -	\$ (8,947)	\$131,432
Nonmajor Governmental Funds	3,814	-	-	-	6,333	11,271	-	(3,640)	17,778
Internal Service Fund	<u>104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104</u>
Total Governmental Activities	12,029	9,062	5,529	102,338	6,333	26,610	-	(12,587)	149,314
<u>Business Type-Activities:</u>									
Utility Fund	23,096	-	-	-	-	287,299	230,465	(79,000)	461,860
<u>Component Units:</u>									
City Court of Denham Springs - Ward II	1,289	-	-	-	-	3,766	-	-	5,055
Marshall of City Court of Denham Springs - Ward II	<u>78</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78</u>
Total Component Units	1,367	-	-	-	-	3,766	-	-	5,133
	<u>\$36,492</u>	<u>\$ 9,062</u>	<u>\$ 5,529</u>	<u>\$102,338</u>	<u>\$ 6,333</u>	<u>\$317,675</u>	<u>\$230,465</u>	<u>\$(91,587)</u>	<u>\$616,307</u>

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

(6) Due From Other Governments -

Due from Other Governments as of June 30, 2002, consists of the following:

	<u>Livingston Parish School Board</u>	<u>State of Louisiana</u>	<u>Livingston Parish</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
<u>Governmental Activities:</u>						
General Fund	\$551,569	\$ 19,659	\$124,658	\$ 7,598	\$ 1,000	\$704,484
Nonmajor Governmental Funds	-	44,000	-	-	-	44,000
Total Governmental Activities	551,569	63,659	124,658	7,598	1,000	748,484
<u>Business Type-Activities:</u>						
Utility Fund	-	9,645	-	-	-	9,645
<u>Component Units:</u>						
City Court of Denham Springs - Ward II	-	-	-	-	-	-
Marshall of City Court of Denham Springs - Ward II	-	-	-	-	-	-
Total Component Units	-	-	-	-	-	-
	<u>\$551,569</u>	<u>\$73,304</u>	<u>\$124,658</u>	<u>\$ 7,598</u>	<u>\$ 1,000</u>	<u>\$758,129</u>

**(7) Interfund Receivables, Payables - Due (To) From Primary
Government/Component Units - Transfers In, Transfers Out -**

a. Balances due to/from other funds at June 30, 2002 consist of the following:

Due to Utility Enterprise Fund from the General Fund for Allocation of Prior Years Insurance Rebates.	\$ 27,423
Due to Motor Pool Internal Service Fund from the General Fund for Allocation of Prior Years Insurance Rebates.	668
Due to General Fund from the Capital Projects Fund for Reimbursement of Expenditures of the Capital Projects Fund Paid by the General Fund.	<u>2,065</u>
	30,156
Allocation of Motor Pool Internal Service Current Year Net Loss to Business-Type Activities	<u>6,373</u>
	<u>\$ 36,529</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

Summary of balances due from (to) other funds reported in fund financial statements and net internal balances as reported in the Statement of Net Assets:

	<u>Due From Other Funds</u>	<u>Due (To) Other Funds</u>	<u>Allocation of Motor Pool Net Loss</u>	<u>Net Internal Balances</u>
Balance Sheet - Governmental Funds	\$ 2,065	\$ (30,156)	\$ -	\$ (28,091)
Statement of Net Assets - Governmental Activities Motor Pool Internal Service Fund	<u>864</u>	<u>-</u>	<u>6,373</u>	<u>7,237</u>
	2,929	(30,156)	6,373	(20,854)
Statement of Net Assets - Proprietary Fund	<u>27,227</u>	<u>-</u>	<u>(6,373)</u>	<u>20,854</u>
	<u>\$ 30,156</u>	<u>\$ (30,156)</u>	<u>\$ -</u>	<u>\$ -</u>

b. Receivable and payable balances at year-end between the Primary Government and Component Units were as follows:

	<u>Due (To)/From Primary Government</u>	<u>Due (To)/From Component Units</u>
<u>Primary Government:</u>		
General Fund	\$ -	\$ 5,889
<u>Component Units:</u>		
City Court of Denham Springs - Ward II	-	-
Marshall of City Court of Denham Springs - Ward II	<u>(5,889)</u>	<u>-</u>
Total	<u>\$ (5,889)</u>	<u>\$ 5,889</u>

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

c. Interfund Transfers at June 30, 2002 consist of the following:

From the General Fund to the Capital Projects Fund to Fund Current and Future Capital Projects	<u>\$485,700</u>
---	------------------

Summary of transfers in and (out) reported in fund financial statements and net transfers in the Statement of Activities:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$485,700</u>	<u>\$(485,700)</u>	<u>\$ -</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

(8) Changes in Capital Assets -

Primary government capital asset activity for the year ended June 30, 2002 was as follows:

	Balance June 30, 2001	Reclassifications/ Adjustments	Balance July 1, 2001 (As Restated)	Additions	Deletions	Balance June 30, 2002
<u>Governmental Activities:</u>						
Capital Assets not being Depreciated:						
Land	\$ 628,671	\$ -	\$ 628,671	\$ -	\$ -	\$ 628,671
Construction in Progress	84,675	-	84,675	110,699	-	195,374
Total Capital Assets not being Depreciated	713,346	-	713,346	110,699	-	824,045
Capital Assets being Depreciated:						
Buildings and Improvements	3,788,836	79,879	3,868,715	14,726	-	3,883,441
Infrastructure	-	2,665,075	2,665,075	-	-	2,665,075
Equipment	3,026,493	54,215	3,080,708	435,805	(359,323)	3,157,190
Total Capital Assets being Depreciated	6,815,329	2,799,169	9,614,498	450,531	(359,323)	9,705,706
Less: Accumulated Depreciation for:						
Buildings and Improvements	-	1,552,962	1,552,962	102,114	-	1,655,076
Infrastructure	-	670,691	670,691	104,989	-	775,680
Equipment	-	1,570,262	1,570,262	314,465	(346,658)	1,538,069
Total Accumulated Depreciation	-	3,793,915	3,793,915	521,568	(346,658)	3,968,825
Total Capital Assets being Depreciated, Net	6,815,329	(994,746)	5,820,583	(71,037)	(12,665)	5,736,881
Total Governmental Activities Capital Assets, Net	\$ 7,528,675	\$ (994,746)	\$ 6,533,929	\$ 39,662	\$ (12,665)	\$ 6,560,926
<u>Business-Type Activities:</u>						
Capital Assets not being Depreciated:						
Land	\$ 159,575	\$ -	\$ 159,575	\$ -	\$ -	\$ 159,575
Total Capital Assets not being Depreciated	159,575	-	159,575	-	-	159,575
Capital Assets being Depreciated:						
Buildings and Improvements	224,226	(79,879)	144,347	-	-	144,347
Gas System	3,307,796	-	3,307,796	-	-	3,307,796
Water System	6,722,406	-	6,722,406	-	-	6,722,406
Sewer System	13,447,228	-	13,447,228	688,533	-	14,135,761
Equipment	1,364,383	(54,215)	1,310,168	112,084	(188,833)	1,233,419
Total Capital Assets being Depreciated	25,066,039	(134,094)	24,931,945	800,617	(188,833)	25,543,729

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

	<u>Balance</u> <u>June 30, 2001</u>	<u>Reclassifications/ Adjustments</u>	<u>Balance</u> <u>July 1, 2001</u> <u>(As Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
<u>Business-Type Activities (Continued):</u>						
Less: Accumulated Depreciation for:						
Building and Improvements	186,458	(69,121)	117,337	5,109	-	122,446
Gas System	2,165,137	-	2,165,137	58,657	-	2,223,794
Water System	3,405,873	-	3,405,873	190,003	-	3,595,876
Sewer System	2,863,663	-	2,863,663	268,945	-	3,132,608
Equipment	<u>972,854</u>	<u>(49,473)</u>	<u>923,381</u>	<u>105,497</u>	<u>(188,832)</u>	<u>840,046</u>
 Total Accumulated Depreciation	 <u>9,593,985</u>	 <u>(118,594)</u>	 <u>9,475,391</u>	 <u>628,211</u>	 <u>(188,832)</u>	 <u>9,914,770</u>
 Total Capital Assets being Depreciated, Net	 <u>15,472,054</u>	 <u>(15,500)</u>	 <u>15,456,554</u>	 <u>172,406</u>	 <u>(1)</u>	 <u>15,628,959</u>
 Total Business-Type Activities Capital Assets, Net	 <u>\$15,631,629</u>	 <u>\$ (15,500)</u>	 <u>\$15,616,129</u>	 <u>\$ 172,406</u>	 <u>\$ (1)</u>	 <u>\$15,788,534</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 83,828
Public Safety	244,104
Highway and Streets	<u>190,445</u>
	518,377
Capital Assets Held by Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>3,191</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 521,568</u>

Business-Type Activities:

Water	\$ 84,594
Gas	225,862
Sewer	299,085
Sanitation	<u>18,670</u>
 Total Depreciation Expense - Business-Type Activities	 <u>\$ 628,211</u>

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

Construction Commitments

The City has active construction projects as of June 30, 2002. The projects include the renovation of the "Old City Hall" building in downtown Denham Springs, the reconstruction and drainage project down Rodeo Drive, and the construction of a sidewalk from Rushing Road, near the interstate, to the downtown area beginning at Range Avenue and Highway 190. Each of these projects are being funded entirely by the City of Denham Springs, except that the sidewalk projects will receive a State grant for \$474,000.

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Renovation of Old City Hall	\$ 84,675	\$ 265,325
Residential Street Construction - Rodeo Drive	93,372	245,955
Sidewalk Construction - Phase I - South Range Avenue	13,833	163,592
Phase II - South Range Avenue	<u>12,716</u>	<u>352,716</u>
	<u>\$204,596</u>	<u>\$1,027,588</u>

In addition, the City is working with the State of Louisiana in an effort to ease traffic flow on State Highways through the City of Denham Springs. The project is referred to as the Range Road Corridor Project. The total cost of the project is estimated to be \$4,200,000 with the majority of the cost being reimbursed to the City from the State. These costs will not be capitalized as infrastructure costs, as the City of Denham Springs will not own these improvements. Costs incurred to date as Highways and Street expenditures amount to \$265,140.

A summary of changes in capital assets for component units is as follows:

City Court of Denham Springs - Ward II:

<u>Governmental Activities</u>	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Equipment:				
Copier	\$ 4,880	\$ -	\$ -	\$ 4,880
Telephone System	3,960	7,211	-	11,171
Furniture and Fixtures	19,118	-	-	19,118
Computer Equipment	89,085	2,260	-	91,345
Police Equipment	4,273	-	-	4,273
Leasehold Improvements	15,696	-	-	15,696
Other Equipment	<u>12,018</u>	<u>-</u>	<u>-</u>	<u>12,018</u>
Totals	149,030	9,471	-	158,501

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

City Court of Denham Springs - Ward II (Continued):

<u>Governmental Activities</u>	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Less: Accumulated Depreciation	(102,503)	(14,211)	-	(116,714)
Capital Assets, Net	\$ 46,527	\$ (4,740)	\$ -	\$ 41,787

Marshall of City Court of Denham Springs - Ward Two:

Office Equipment	\$ 21,365	\$ 2,498	\$ 597	\$ 23,266
Furniture and Fixtures	8,851	-	-	8,851
Machinery and Equipment	12,871	17,468	1,075	29,264
Vehicles	59,744	19,950	12,868	66,826
Leasehold Improvements	<u>4,411</u>	<u>-</u>	<u>-</u>	<u>4,411</u>
Totals	107,242	39,916	14,540	132,618
Less: Accumulated Depreciation	<u>(71,150)</u>	<u>(15,160)</u>	<u>(14,540)</u>	<u>(71,770)</u>
Capital Assets, Net	\$ <u>36,092</u>	\$ <u>24,756</u>	\$ <u>-</u>	\$ <u>60,848</u>

(9) Long-Term Debt -

Revenue Bonds. The City issues bonds where it pledges income derived from the acquired or constructed assets to pay debt services. Revenue bonds outstanding at June 30, 2002, are as follows:

<u>Description/Purpose</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance June 30, 2002</u>
Business-Type Activities: 1998 Utility Revenue Refunding Bonds - Proceeds Used to Advance Refund Prior Revenue Bonds	<u>\$1,712,505</u>	<u>7.20%</u>	<u>04-01-2006</u>	<u>\$842,877</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

Revenue bond debt service requirements to maturity, including interest requirements, are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$227,944	\$ 60,686	\$288,630
2004	229,310	44,276	273,586
2005	225,479	27,764	253,243
2006	<u>160,144</u>	<u>11,530</u>	<u>171,674</u>
Total Revenue Bonds	<u>\$842,877</u>	<u>\$144,256</u>	<u>\$987,133</u>

The City of Denham Springs issued \$1,712,505 of 1998 Utility Revenue Refunding Bonds dated July 17, 1998. These bonds along with monies from the 1989 Sinking, Reserve, and Contingency accounts were used to advance refund the 1989 Utility Revenue Refunding Bonds. The bonds are payable solely from revenues derived from the Enterprise Fund.

The Sinking Fund, Reserve Fund, and Contingency Fund requirements of the 1989 bond were eliminated with the issuance of the 1998 bonds.

Special Assessment Debt. The City issued \$133,210 of Special Assessment Certificates of Indebtedness in 1993 to provide funds for the construction of street paving improvements along certain portions of streets in the Lakeland Acres Subdivision. The Certificates bear interest at rates of 5.60% - 8.00% and are payable in equal annual installments of principal over ten years. These Special Assessment Certificates of Indebtedness constitute legally binding special and limited obligations of the City. In addition, the City has legally pledged and dedicated the funds to be derived from the collection of the special assessments levied on the real property of the property owners of the Lakeland Acres Subdivision.

The City accounts for the collections of the annual special assessments on the property owners of the Lakeland Acres Subdivision and the annual payments on the 1993 Paving Certificates of Indebtedness in the 1993 Paving Certificates Debt Service Fund.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

At June 30, 2002, management estimates that earnings and collections of the special assessments will be in amounts sufficient to cover the City's annual Certificate of Indebtedness liability.

<u>Description/Purpose</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance June 30, 2002</u>
Governmental Activities: Special Assessment Certificates of Indebtedness - Lakeland Acres Subdivision	\$ 133,210	Various	6-01-2003	\$ 13,321
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Special Assessment debt service requirements to maturity, including interest requirements, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 13,321	\$ 773	\$ 14,094
	<u> </u>	<u> </u>	<u> </u>

Prior Year Bond Defeasance. There are no outstanding balances on any prior-year bond defeasance as of June 30, 2002.

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2002 is as follows:

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>	<u>Due Within One Year</u>
Governmental Activities: 1993 Certificates of Indebtedness	\$ 26,642	\$ -	\$ 13,321	\$ 13,321	\$ 13,321
Compensated Absences	<u>305,703</u>	<u>11,517</u>	<u>-</u>	<u>317,220</u>	<u>79,305</u>
Governmental Activity Long-Term Liabilities	<u>\$ 332,345</u>	<u>\$ 11,517</u>	<u>\$ 13,321</u>	<u>\$330,541</u>	<u>\$ 92,626</u>

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

	<u>Balance</u> <u>June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2002</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business-Type Activities:					
1998 Utility Revenue Refunding Bond	\$1,069,541	\$ -	\$226,664	\$842,877	\$ 227,944
Less: Deferred Amount on Refunding	<u>(56,455)</u>	<u>-</u>	<u>(15,181)</u>	<u>(41,274)</u>	<u>(11,160)</u>
Total Bonds Payable	1,013,086	-	211,483	801,603	216,784
Compensated Absences	<u>35,823</u>	<u>4,869</u>	<u>-</u>	<u>40,692</u>	<u>10,170</u>
Business-Type Activities Long-Term Liabilities	<u>\$1,048,909</u>	<u>\$ 4,869</u>	<u>\$211,483</u>	<u>\$842,295</u>	<u>\$ 226,954</u>

The internal service fund serves predominantly the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$3,653 of compensated absences for the internal service fund is included in the above amounts.

(10) Customers' Deposits -

Meter deposits are paid by customers upon application for utility services and are returnable to them upon termination of service. Receipts from meter deposits are deposited in the Utility Operating Fund and refunds of deposits on termination of service are made from the same account.

The City has a certificate of deposit which is designated specifically for Customers' Deposits. At June 30, 2002, customers' deposits amounted to \$516,398 and the balance of the certificate of deposit amounted to \$465,000 and is included as a Restricted Asset on the Statement of Net Assets.

(11) Retirement Commitments -

A. Plan Descriptions, Contribution Information, and Funding Policies

Substantially all employees of the City of Denham Springs are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters Retirement System of Louisiana. These systems are multiple employer (cost-sharing), public employee retirement systems (PERS), controlled and administered by separate boards of trustees. Pertinent information relative to each plan follows:

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Municipal Employees Retirement System of Louisiana</u>	<u>Municipal Police Employees Retirement System of Louisiana</u>	<u>Firefighters Retirement System of Louisiana</u>
Eligibility to Participate	All permanent employees working at least 35 hours per week, not covered by another pension plan, and under age 60 at date of employment and are paid wholly or in part from City funds; all elected municipal officials are also eligible to participate; all employees of the City are members of Plan B.	All full-time police department employees engaged in law enforcement are required to participate in the System.	Mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System.
Authority Establishing Contribution Obligations and Benefits	State Statute	State Statute	State Statute
Plan Members' Contribution Rate (Percent of Covered Payroll)	5.00%	7.50%	8.00%
City's Contribution Rate (Percent of Covered Payroll)	4.50%	9.00%	9.00%

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

	<u>Municipal Employees Retirement System of Louisiana</u>	<u>Municipal Police Employees Retirement System of Louisiana</u>	<u>Firefighters Retirement System of Louisiana</u>
Period Required to Vest	10 years	12 years	12 years
Benefits and Eligibility for Distribution (Full-Time)	At or after age 60 with at least 10 years of creditable service or at or after 55 with at least 30 years of creditable service, 2% of final average salary multiplied by the years of creditable service; at least 10 years but less than 30 years of creditable service, may take early retirement benefits reduced 3% for each year retirement precedes age 60; in any case monthly retirement benefits can not exceed 100% of final average salary	25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years of creditable service and is age 55, 3 1/3% of average salary multiplied by the years of creditable service not to exceed 100% of final salary; early retirement, 20 years of service regardless of age, 3 1/3% of average salary multiplied by creditable service actuarially reduced for retirement prior to age 50.	20 years or more of creditable service and attained age 50 or 12 years of service and age 55 or 25 years of service at any age, 3 1/3% of average salary multiplied by the years of creditable service not to exceed 100% of final salary
Deferred Retirement Option	Yes, 30 years creditable service	Yes, 25 years of creditable service regardless of age or 20 years of creditable service and attaining the age of 50	Yes, after completing 20 years of creditable service

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

	<u>Municipal Employees Retirement System of Louisiana</u>	<u>Municipal Police Employees Retirement System of Louisiana</u>	<u>Firefighters Retirement System of Louisiana</u>
Provisions for: Cost of Living Adjustments (Normal Retirement)	Yes	Yes	Yes
Death (Duty, Non-Duty, Post Retirement)	Yes	Yes	Yes
Disability (Duty, Non-Duty)	Yes	Yes	Yes
Cost of Living Allowances	Yes	Yes	Yes

B. Trend Information -

Contributions required by State statute:

<u>Fiscal Year</u>	<u>Municipal Employees Retirement System of Louisiana</u>		<u>Municipal Police Employees Retirement System of Louisiana</u>		<u>Firefighters Retirement System of Louisiana</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
1995	\$120,454	98%	\$102,681	100%	\$ 47,647	100%
1996	\$134,785	97%	\$109,520	100%	\$ 64,000	100%
1997	\$122,975	95%	\$121,390	100%	\$ 92,223	100%
1998	\$121,610	94%	\$130,803	100%	\$ 95,453	100%
1999	\$147,921	100%	\$143,895	100%	\$ 98,786	100%
2000	\$166,991	100%	\$163,093	100%	\$100,037	100%
2001	\$177,412	100%	\$176,186	100%	\$101,219	100%
2002	\$184,844	100%	\$177,673	100%	\$122,030	100%

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their annual financial reports. Copies of these reports may be obtained from the respective State retirement systems.

(12) Deferred Compensation Plan -

The City offers its employees a deferred compensation plan created in accordance with Louisiana Revised Statutes 42:1301 through 42:1308 and Section 457 of the Internal Revenue Code of 1954. The Louisiana Public Employees' Deferred Compensation Plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. In accordance with the amended provisions of Internal Revenue Code Section 457 which were enacted into law in August 1996, all amounts deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are solely the property and rights of the participants and their beneficiaries. As required by the amendment to the code, the City established a custodial account with a third party administrator who will hold the assets and income of the plan.

Under GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", governments who have no responsibility for the plan and are not formally considered the plan's trustee are not required to report the plan in its financial statements. Since the City's plan is held in a custodial account with a third party administrator, the assets and liabilities are not presented in the City's financial statements as of June 30, 2002.

Assets totaling \$140,281 are held by Great West Life & Annuity Insurance Company, a deferred compensation center.

Compensation deferred under this plan for the fiscal year ended June 30, 2002, amounted to \$24,385.

(13) Litigation -

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City of Denham Springs.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

(14) Intergovernmental Revenue -

GASB No. 24 requires government employers to disclose the amount recognized in the financial statements for on-behalf payments of salaries and fringe benefits.

Supplementary salary payments are made by the State of Louisiana directly to certain groups of the City's employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual contribution made by the State. For the fiscal year ended June 30, 2002, the State paid supplemental salaries to the City's fire and law enforcement employees in the amount of \$170,710.

(15) Segment Information - Enterprise Fund -

The City maintains only a single enterprise fund. The services provided by this enterprise fund include basic utility services (natural gas, water, sewer and sanitation) for all citizens of the City of Denham Springs and to citizens within certain areas around the City of Denham Springs. Selected segment information for the year ended June 30, 2002, is as follows:

Condensed Statement of Net Assets

Assets:

Current	\$ 3,018,355
Restricted	465,000
Capital	<u>15,788,534</u>
Total Assets	19,271,889

Liabilities:

Current	976,820
Noncurrent	<u>615,341</u>
Total Liabilities	1,592,161

Net Assets:

Invested in Capital Assets, Net of Related Debt	7,225,602
Unrestricted	<u>10,454,126</u>
Total Net Assets	<u>\$17,679,728</u>

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

Operating Revenues	\$ 4,823,164
Depreciation Expense	(628,211)
Other Operating Expenses	<u>(4,112,344)</u>
Operating Income	82,609
Nonoperating Revenues (Expenses):	
Investment Income	96,520
Miscellaneous Income	42,739
Interest Expense	(72,927)
Amortization of Bond Costs	(15,181)
Capital Contributions	<u>32,935</u>
Change in Net Assets	166,695
Net Assets - Beginning of Year	<u>17,513,033</u>
Net Assets - End of Year	<u>\$17,679,728</u>

Condensed Statement of Cash Flows

Net Cash Provided by (Used in):	
Operating Activities	\$ 716,125
Capital and Related Financing Activities	(1,039,540)
Investing Activities	<u>111,560</u>
Net Decrease	(211,855)
Cash and Cash Equivalents - Beginning of Year	<u>686,987</u>
Cash and Cash Equivalents - End of Year	<u>\$ 475,132</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

(16) Risk Management -

The City is exposed to various risks of loss related to torts theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City maintains commercial insurance for all risks of loss, including (1) Worker's Compensation, (2) Public Official Bonds and Employees Liability, (3) Business Auto Liability, (4) Umbrella coverage, (5) Law Enforcement Professional Liability, (6) Fire and Extended coverage and (7) Flood Insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(17) Mayor and Council Members' Compensation -

The following list includes the compensation paid to the Mayor and Council Members for the year ended June 30, 2002. The current terms of the Mayor and Council Members expire on December 31, 2002.

James Delaune, Mayor 1560 4-H Club Road Denham Springs, Louisiana 70726 Telephone: 665-8124	\$ 50,000
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James E. Durbin, Council Member 417 Centerville Street Denham Springs, Louisiana 70726 Telephone: 664-5802	\$ 7,400
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Sterling Vincent, Council Member	\$ 7,400
Streets Commissioner	\$ 12,236
103 Carroll Street Denham Springs, Louisiana 70726 Telephone: 665-2485	

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2002

(17) Mayor and Council Members' Compensation (Continued) -

Arthur Perkins, Council Member \$ 7,400
906 Hatchell Lane
Denham Springs, Louisiana 70726

Brent Dugas, Council Member \$ 7,400
1440 Cottonwood Drive
Denham Springs, Louisiana 70726
Telephone: 665-3802

Layton Ricks, Council Member \$ 7,400
916 Jane Drive
Denham Springs, Louisiana 70726
Telephone: 665-7816

(18) Contingency -

The City of Denham Springs notified the Louisiana Department of Environmental Quality that it had inadvertently allowed its Louisiana Water Discharge Permit to expire May 8, 2001 and its Louisiana Pollutant Discharge Elimination System permit to expire May 31, 2001. Both permits are in connection with the City's wastewater facility. Subsequent thereto the State of Louisiana Department of Environmental Quality made an onsite inspection and found various violations of the aforementioned permits and issued a consolidated compliance order and notice of potential penalty. A revised order was issued February 28, 2002 and continued negotiations have occurred since that time. No penalty has been assessed at this time, but the City expects to spend approximately \$425,000 to upgrade the wastewater facility in an attempt to eliminate past violations and avoid the assessment of large penalties. These expenses will probably be incurred over the next couple of years and have not been included in these financial statements.

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUND

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects Fund - This fund is used to account for the costs of major repairs and construction of City streets, for the costs of improving major drainage arteries throughout the City, and for the construction costs and/or major renovation costs to various City buildings.

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

1994 Paving Certificates Debt Service Fund - This fund is used to account for the collection of a special assessment on the property owners of the Lakeland Acres Subdivision. The proceeds of such collections to be used to make annual payments on the 1994 Paving Certificates of Indebtedness incurred for the benefit of the property owners of the Lakeland Acres Subdivision.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

Cemetery Care Permanent Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the City's cemetery.

CITY OF DENHAM SPRINGS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2002

	Capital Projects Fund	1994 Paving Certificates Debt Service Fund	Cemetery Care Permanent Fund	Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 615,637	\$ 14,194	\$ 63,623	\$ 693,454
Investments, at Cost	200,000	-	410,000	610,000
Receivables (Net of Allowance for Uncollectibles):				
Special Assessments	-	2,693	-	2,693
Other	12,219	48	2,818	15,085
Due from Other Governments	44,000	-	-	44,000
Total Assets	<u>\$ 871,856</u>	<u>\$ 16,935</u>	<u>\$ 476,441</u>	<u>\$ 1,365,232</u>
LIABILITIES				
Accounts Payable	\$ 68,256	\$ -	\$ -	\$ 68,256
Retainages Payable	12,473	-	-	12,473
Due to Other Funds	2,065	-	-	2,065
Deferred Revenues	-	2,693	-	2,693
Total Liabilities	82,794	2,693	-	85,487
FUND BALANCES				
Fund Balance:				
Reserved for Debt Service	-	13,321	-	13,321
Reserved for Cemetery Expenditures	-	-	476,441	476,441
Unreserved:				
Designated for Construction	789,062	-	-	789,062
Undesignated	-	921	-	921
Total Fund Balances	<u>789,062</u>	<u>14,242</u>	<u>476,441</u>	<u>1,279,745</u>
Total Liabilities and Fund Balances	<u>\$ 871,856</u>	<u>\$ 16,935</u>	<u>\$ 476,441</u>	<u>\$ 1,365,232</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2002

	Capital Projects Fund	1994 Paving Certificates Debt Service Fund	Cemetery Care Permanent Fund	Nonmajor Governmental Funds
Revenues:				
Special Assessments	\$ -	\$ 3,907	\$ -	\$ 3,907
Interest	13,224	993	12,727	26,944
Miscellaneous	44,000	68	11,468	55,536
Total Revenues	57,224	4,968	24,195	86,387
Expenditures:				
Current:				
General Government	-	3,293	-	3,293
Capital Outlay:				
Highways and Streets	251,917	-	-	251,917
Debt Service:				
Principal Retirement	-	13,321	-	13,321
Interest	-	1,545	-	1,545
Total Expenditures	251,917	18,159	-	270,076
Excess (Deficiency) of Revenues over Expenditures	(194,693)	(13,191)	24,195	(183,689)
Other Financing Sources:				
Operating Transfers In	485,700	-	-	485,700
Total Other Financing Sources	485,700	-	-	485,700
Net Change in Fund Balance	291,007	(13,191)	24,195	302,011
Fund Balances at Beginning of Year	498,055	27,433	452,246	977,734
Fund Balances at End of Year	\$ 789,062	\$ 14,242	\$ 476,441	\$ 1,279,745

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL

CAPITAL PROJECTS FUND

FOR THE YEAR ENDED JUNE 30, 2002

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Interest	\$ -	\$ 12,000	\$ 13,224	\$ 1,224
State Grants	1,064,628	195,578	44,000	(151,578)
Total Revenues	1,064,628	207,578	57,224	(150,354)
Expenditures:				
Construction Costs and Related Expenditures	1,414,050	561,206	251,917	309,289
Total Expenditures	1,414,050	561,206	251,917	309,289
Excess (Deficiency) of Revenues Over Expenditures	(349,422)	(353,628)	(194,693)	158,935
Other Financing Sources:				
Operating Transfers In	300,000	485,700	485,700	-
Net Change in Fund Balances	(49,422)	132,072	291,007	158,935
Fund Balance at Beginning of Year	498,055	498,055	498,055	-
Fund Balance at End of Year	<u>\$ 448,633</u>	<u>\$ 630,127</u>	<u>\$ 789,062</u>	<u>\$ 158,935</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS¹
SCHEDULE BY SOURCE

JUNE 30, 2002

Governmental Funds Capital Assets:

Land	\$ 628,671
Land Improvements	38,565
Buildings	3,764,997
Equipment	3,102,975
Infrastructure	2,665,075
Construction in Progress	195,374
	<hr/>
Total General Fixed Assets	\$ 10,395,657
	<hr/> <hr/>

Investments in Governmental Funds Capital Assets by Source:

General Fund Revenues	\$ 3,666,147
Federal Revenues and Federal Grants	325,131
Donated Infrastructure	531,772
Capital Improvement Funds:	
City's Share of Cost:	
General Fund	3,366,285
Federal Revenue Sharing	201,482
Federal Grants	492,741
State Grants	1,812,099
	<hr/>
Total Investment in General Fixed Assets	\$ 10,395,657
	<hr/> <hr/>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund is excluded from the above amounts. The capital assets of the internal service fund is included as governmental activities in the statement of net assets.

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹

JUNE 30, 2002

Function and Activity:	<u>Land</u>	<u>Improvements Other Than Buildings</u>	<u>Buildings</u>
General Government:			
General Government Buildings Administration	\$ 415,439	\$ 13,950	\$ 1,578,500
Cemetery	-	-	-
Tax	2,000	11,002	10,313
Planning and Development	-	-	-
Public Service Workers	-	-	10,647
	<hr/>	<hr/>	<hr/>
Total General Government	417,439	24,952	1,599,460
Public Safety:			
Animal Control	1,500	4,660	81,603
Fire	8,250	-	232,425
Police	201,482	8,953	1,475,445
	<hr/>	<hr/>	<hr/>
Total Public Safety	211,232	13,613	1,789,473
Highways and Streets:			
Streets	-	-	5,174
Health:			
Council on Aging	-	-	370,890
	<hr/>	<hr/>	<hr/>
Total Governmental Funds Capital Assets Allocated to Functions	<u>\$ 628,671</u>	<u>\$ 38,565</u>	<u>\$ 3,764,997</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund is excluded from the above amounts. The capital assets of the internal service fund is included as governmental activities in the statement of net assets.

The accompanying notes constitute an integral part of this statement.

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$ -	\$ -	\$ 2,007,889
135,866	-	135,866
21,272	-	44,587
9,228	-	9,228
55,203	-	55,203
33,303	-	43,950
<hr/>	<hr/>	<hr/>
254,872	-	2,296,723
23,361	-	111,124
801,219	-	1,041,894
1,118,235	-	2,804,115
<hr/>	<hr/>	<hr/>
1,942,815	-	3,957,133
905,288	2,665,075	3,575,537
-	-	370,890
<hr/>	<hr/>	<hr/>
<u>\$ 3,102,975</u>	<u>\$ 2,665,075</u>	10,200,283
Construction in Progress		<u>195,374</u>
		<u>\$ 10,395,657</u>

CITY OF DENHAM SPRINGS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹

FOR THE YEAR ENDED JUNE 30, 2002

Function and Activity:	Governmental Funds Capital Assets 7/1/01 (as Restated)	Additions	Deductions	Governmental Funds Capital Assets 6/30/02
General Government:				
General Government Buildings	\$ 1,993,163	\$ 14,726	\$ -	\$ 2,007,889
Administration	138,405	9,160	11,699	135,866
Cemetery	49,879	-	5,292	44,587
Tax	17,798	-	8,570	9,228
Planning and Development	45,877	18,219	8,893	55,203
Public Service Workers	43,950	-	-	43,950
Total General Government	2,289,072	42,105	34,454	2,296,723
Public Safety:				
Animal Control	111,124	-	-	111,124
Fire	1,119,276	20,342	97,724	1,041,894
Police	2,675,657	241,175	112,717	2,804,115
Total Public Safety	3,906,057	261,517	210,441	3,957,133
Highways and Streets:				
Streets	3,543,056	146,909	114,428	3,575,537
Health:				
Council on Aging	370,890	-	-	370,890
Construction in Progress	84,675	110,699	-	195,374
Total Governmental Funds Capital Assets	\$ 10,193,750	\$ 561,230	\$ 359,323	\$ 10,395,657

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund is excluded from the above amounts. The capital assets of the internal service fund is included as governmental activities in the statement of net assets.

The accompany notes constitute an integral part of this statement.

SUPPLEMENTARY SCHEDULES

**CITY OF DENHAM SPRINGS
UTILITY ENTERPRISE FUND**

SCHEDULE OF NET INCOME (LOSS) FROM
OPERATIONS BY DEPARTMENT

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Gas Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Sanitation Department</u>	<u>Total</u>
Operating Revenues:					
Charges for Services	\$ 2,600,288	\$ 1,017,211	\$ 564,757	\$ 545,253	\$ 4,727,509
Delinquent Charges	36,448	14,579	7,952	7,290	66,269
Miscellaneous	-	29,326	60	-	29,386
Total Operating Revenues	<u>2,636,736</u>	<u>1,061,116</u>	<u>572,769</u>	<u>552,543</u>	<u>4,823,164</u>
Operating Expenses:					
Direct	2,084,239	636,116	732,222	559,712	4,012,289
General and Administrative	249,970	228,978	196,087	53,231	728,266
Total Operating Expenses	<u>2,334,209</u>	<u>865,094</u>	<u>928,309</u>	<u>612,943</u>	<u>4,740,555</u>
Operating Income (Loss) by Department	302,527	196,022	(355,540)	(60,400)	82,609
Nonoperating Revenues	-	-	-	-	139,259
Nonoperating Expenses	-	-	(88,108)	-	(88,108)
Capital Contributions	-	-	32,935	-	32,935
Change in Net Assets					166,695
Allocation of Motor Pool Internal Service Net Loss	<u>(1,798)</u>	<u>(2,485)</u>	<u>(2,090)</u>	<u>-</u>	<u>(6,373)</u>
Business-Type Activities					
Departmental Net Income (Loss)	<u>\$ 300,729</u>	<u>\$ 193,537</u>	<u>\$ (412,803)</u>	<u>\$ (60,400)</u>	
Change in Net Assets					
Business-Type Activities					<u>\$ 160,322</u>

See auditor's report.

**CITY OF DENHAM SPRINGS
UTILITY ENTERPRISE FUND**

SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT

FOR THE YEAR ENDED JUNE 30, 2002

	<u>Gas Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Sanitation Department</u>	<u>Total</u>
Direct Expenses:					
Natural Gas Purchases	\$ 1,316,400	\$ -	\$ -	\$ -	\$ 1,316,400
Direct Labor	353,770	181,533	230,943	-	766,246
Chlorinator Expense	-	12,372	-	-	12,372
Depreciation	84,594	225,862	299,085	18,670	628,211
Electricity	9,913	93,422	65,682	-	169,017
Equipment Expenses	71,255	33,758	33,700	2,936	141,649
Equipment Rental	16,279	3,940	2,269	-	22,488
Lab Fees	-	-	12,752	-	12,752
Maintenance	167,608	28,257	80,670	-	276,535
Meter Reading	35,883	46,732	-	-	82,615
Meter Repairs	7,892	-	-	-	7,892
Small Tools and Supplies	20,645	10,240	7,121	668	38,674
Subcontract Disposal Service	-	-	-	537,438	537,438
	<u>2,084,239</u>	<u>636,116</u>	<u>732,222</u>	<u>559,712</u>	<u>4,012,289</u>
General and Administrative Expenses:					
Office Salaries	41,785	57,768	48,556	30,078	178,187
Payroll Taxes, Retirement and Group Insurance	86,985	58,233	64,309	6,396	215,923
Electricity	1,894	2,618	2,200	1,363	8,075
Ground Maintenance	-	1,822	49	-	1,871
Insurance	33,471	24,934	30,907	930	90,242
Miscellaneous	26,810	11,348	9,258	1,744	49,160
Office Expense	22,424	20,494	14,693	3,561	61,172
Professional Fees	5,858	31,987	10,936	3,493	52,274
Telephone	25,584	12,642	9,184	1,952	49,362
Bad Debts	5,159	7,132	5,995	3,714	22,000
	<u>249,970</u>	<u>228,978</u>	<u>196,087</u>	<u>53,231</u>	<u>728,266</u>
Total Operating Expenses	<u><u>\$ 2,334,209</u></u>	<u><u>\$ 865,094</u></u>	<u><u>\$ 928,309</u></u>	<u><u>\$ 612,943</u></u>	<u><u>\$ 4,740,555</u></u>

See auditor's report.

**CITY OF DENHAM SPRINGS
UTILITY ENTERPRISE FUND**

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED JUNE 30, 2002

Personal Services and Benefits:

Direct Labor	\$ 766,246
Office Salaries	178,187
Payroll Taxes, Retirement and Group Insurance	<u>215,923</u>
	1,160,356

Contractual Services:

Chlorinator Expense	12,372
Equipment Rental	22,488
Lab Fees	12,752
Meter Reading	82,615
Subcontract Disposal Service	537,438
Professional Fees	<u>52,274</u>
	719,939

Cost of Materials:

Natural Gas Purchases	1,316,400
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Utilities:

Electricity (Direct)	169,017
Electricity (General)	8,075
Telephone	<u>49,362</u>
	226,454

Repair and Maintenance:

Equipment Expenses	141,649
Maintenance	276,535
Meter Repairs	7,892
Ground Maintenance	<u>1,871</u>
	427,947

Supplies:

Small Tools and Supplies	38,674
Office Expense	61,172
Miscellaneous	<u>49,160</u>
	149,006

Insurance

90,242

Depreciation

628,211

Bad Debts

22,000

Total Operating Expenses

\$ 4,740,555

See auditor's report.

CITY OF DENHAM SPRINGS
SCHEDULE OF INSURANCE COVERAGE IN FORCE

JUNE 30, 2002

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
CNA Surety	Public Official Bonds		
	Mayor; James Delaune	\$ 50,000	1/04/03
	Council Members:		
	Arthur Perkins	\$ 10,000	1/12/03
	Sterling Vincent	\$ 10,000	1/04/03
	Layton Ricks	\$ 10,000	1/01/03
	James E. Durbin	\$ 10,000	1/01/03
	Brent Dugas	\$ 10,000	1/01/03
	City Treasurer:		
	Clarence Speed	\$ 50,000	12/11/02
Coregis	Property and Casualty		
	<u>Coverage -</u>		
	90% Co-Insurance:		
	Municipal Building	\$ 1,624,000	
	Contents	\$ 460,000	7/01/02
	<u>941 Government Street</u>		
	Steel Water Tank and Tower	\$ 250,000	7/01/02
	<u>110 Brignac Street</u>		
	Council on Aging Buildings	\$ 439,755	7/01/02
	<u>949 Government Street</u>		
Fire Station Building	\$ 212,211		
Contents	\$ 10,000	7/01/02	
<u>1100 Hatchell Lane</u>			
Police Station and Jail Facility	\$1,350,000		
Contents	\$ 150,000	7/01/02	
<u>447 Lamm Street</u>			
Fire Station Building	\$ 270,504		
Contents	\$ 12,000	7/01/02	
<u>950 Government Street</u>			

(CONTINUED)

CITY OF DENHAM SPRINGS

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2002

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
	Office Trailer Building	\$ 5,500	
	Contents	\$ 1,000	7/01/02
	<u>9150 Forest Delatte Road</u>		
	Animal Control Center		
	Building	\$ 58,000	
	Contents	\$ 2,000	7/01/02
	<u>600-C Bowman St.</u>		
Coregis	Youth Services		
	Office Building	\$ 218,376	7/01/02
	Contents	\$ 100,000	
	<u>940 Government Street</u>		
	Utility Warehouse Building	\$ 90,000	
	Contents	\$ 30,000	7/01/02
	<u>112 Brignac Street</u>		
	Motor Pool and Warehouse		
	Building	\$ 226,800	
	Contents	\$ 75,000	7/01/02
	<u>401 N. Railroad Ave.</u>		
	Augusta Lane Pump		
	Station Building	\$ 12,000	7/01/02
	<u>Augusta Lane</u>		
	Steel Water Tank and Tower	\$ 550,000	7/01/02
	<u>Pete's Highway</u>		
Louisiana Workers' Compensation Corporation	Workmen's Compensation Statutory		7/01/02

(CONTINUED)

CITY OF DENHAM SPRINGS

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2002

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Coregis	General Liability	\$1,000,000	7/01/02
	Law Enforcement		
	Professional Liability	\$1,000,000	7/01/02
Coregis	Public Officials and Employees Liability Errors and Omissions	\$1,000,000	7/01/02
Coregis	Business Auto Liability	\$1,000,000	7/01/02
Coregis	Umbrella	\$1,000,000	7/01/02
National Flood Services	Flood Insurance:		
	Fire Station Building	\$ 28,000	
	Contents	\$ 20,000	7/01/02
	<u>930 Government Street</u>		
	Youth Services Office Building	\$ 55,000	
	Contents	\$ 20,000	7/01/02
	<u>940 Government Street</u>		
	Municipal Building	\$ 215,000	
	Contents	\$ 40,000	7/01/02
	<u>941 Government Street</u>		
Council on Aging Building	\$ 60,000		
Contents	\$ 40,000	7/01/02	
<u>949 Government Street</u>			

(CONTINUED)

CITY OF DENHAM SPRINGS

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2002

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
	Fire Station Building	\$ 28,000	
	Contents	\$ 20,000	7/01/02
	<u>1100 Hatchell Lane</u>		
	Police Station and Jail Facility	\$ 250,000	
	Contents	\$ 20,000	7/01/02
	<u>447 Lamm Street</u>		
	Animal Control Center Building	\$ 16,000	7/01/02
	<u>600-C Bowman Street</u>		

See auditor's report.

**THIS SECTION WHICH IS COMPOSED OF ACCOUNTING
AND NONACCOUNTING DATA IS PRESENTED IN ORDER TO
PROVIDE THE READER WITH ADDITIONAL INFORMATION
AS AN AID TO UNDERSTANDING THE FINANCIAL ACTIVITIES
OF THE GOVERNMENTAL UNIT**

CITY OF DENHAM SPRINGS

GENERAL FUND EXPENDITURES AND
OTHER USES BY FUNCTION
PRIMARY GOVERNMENT

LAST TEN YEARS

<u>Year</u>	<u>Total</u>	<u>General Government</u>	<u>Cemetery</u>	<u>Tax</u>	<u>Ward Court</u>	<u>Planning and Development</u>	<u>Public Service Worker</u>
1993	\$3,540,970	\$470,484	\$ 49,411	\$ 77,726	\$172,737	\$116,951	\$ 9,583
1994	4,817,679	512,930	53,099	80,704	93,256*	132,130	15,409
1995	4,542,641	460,524	51,963	99,898	93,185	136,559	32,047
1996	4,715,110	566,415	54,714	113,187	52,214	118,126	49,474
1997	5,084,763	567,761	65,158	105,258	52,923 ¹	118,433	36,735
1998	6,079,148	589,791	65,107	127,940	53,815	149,361	57,547
1999	5,977,575	609,259	63,710	115,097	47,611	129,454	73,085
2000	6,042,546	797,211	84,230	127,521	48,649	164,428	86,852
2001	6,186,246	786,534	78,248	119,634	50,588	186,565	77,301
2002	6,886,264	768,763	76,544	134,822	52,931	201,467	92,283

*In compliance with GASB-14 beginning in 1994 certain general fund expenditures made to reimburse the Court for operating expenditures of the Court are now shown as Other Uses - Transfers to Component Units.

¹Beginning in fiscal year 1997, salaries for the public service supervisor was allocated to Public Service Workers instead of Ward Court.

SOURCE: Annual Audited Basic Financial Statements.

Schedule 5

<u>Summer Food Program</u>	<u>Animal Control</u>	<u>Fire</u>	<u>Police</u>	<u>Streets and Lighting</u>	<u>Health</u>	<u>Culture and Recreation</u>	<u>Other Uses</u>
\$ 12,507	\$21,450	\$610,281	\$ 981,010	\$ 753,302	\$18,285	\$ -	\$ 247,243
12,373	21,103	691,075	1,157,293	812,850	19,334	-	1,216,123
12,030	27,306	741,461	1,255,312	844,274	18,977	-	769,105
16,683	30,963	763,037	1,450,946	752,513	19,606	-	727,232
11,692	32,541	917,192	1,553,477	881,121	18,723	17,083	706,666
12,908	54,346	930,801	1,677,296	782,805	24,695	48,462	1,504,274
7,997	50,962	909,489	1,840,913	820,329	36,144	56,570	1,216,955
-	47,983	962,111	2,141,501	1,057,353	33,450	115,873	375,384
-	65,256	1,168,583	2,294,625	1,174,442	25,954	62,994	95,522
-	72,174	1,213,688	2,398,571	1,184,453	29,098	77,645	583,825

CITY OF DENHAM SPRINGS

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
PRIMARY GOVERNMENT

LAST TEN YEARS

<u>Year</u>	<u>Total</u>	<u>Licenses and Taxes</u>	<u>Permits</u>	<u>Fines and Forfeits</u>	<u>911 Service Fees</u>
1993	\$3,949,216	\$3,009,363	\$ 373,304	\$ 236,173	\$ -
1994	4,454,331	3,267,098	419,813	238,133	50,034
1995	4,777,392	3,490,035	521,309	243,707	112,984
1996	5,224,269	3,871,998	520,631	189,498	131,040
1997	5,356,854	4,001,014	549,065	173,708	153,783
1998	5,622,484	4,166,264	543,224	191,915	165,314
1999	6,131,685	4,521,898	625,763	174,827	185,202
2000	6,559,820	4,908,105	658,740	205,178	188,662
2001	6,592,244	4,811,962	603,394	260,226	187,131
2002	6,617,970	4,935,933	627,006	244,035	197,785

CITY OF DENHAM SPRINGS

GENERAL FUND TAX REVENUES BY SOURCE
PRIMARY GOVERNMENT

LAST TEN YEARS

<u>Year</u>	<u>Total</u>	<u>General Property Taxes</u>	<u>Alcoholic Beverage & Cable T.V.</u>	<u>Chain Store Tax</u>	<u>Electrical Franchise Tax</u>	<u>Sales Tax</u>
1993	\$3,009,363	\$107,672	\$ 59,192	\$10,510	\$345,708	\$2,440,746
1994	3,267,098	114,676	65,384	10,911	382,869	2,571,786
1995	3,490,035	123,055	68,918	12,595	354,770	2,749,728
1996	3,871,998	128,952	79,655	11,085	410,645	3,035,569
1997	4,001,014	131,255	79,430	12,270	377,544	3,182,993
1998	4,166,264	126,772	79,889	11,984	398,317	3,334,669
1999	4,521,898	138,954	93,593	15,535	397,231	3,655,439
2000	4,908,105	135,970	128,082	17,690	432,712	4,149,183
2001	4,811,962	163,471	77,396	18,606	488,797	4,061,946
2002	4,935,933	159,204	125,973	18,538	437,017	4,193,182

SOURCE: Annual Audited Basic Financial Statements.

Schedule 6

<u>Interest</u>	<u>Miscellaneous</u>	<u>Other Financing Sources</u>
\$ 37,594	\$291,359	\$ 1,423
35,945	427,504	15,804
38,374	351,457	19,526
79,822	418,027	13,253
85,202	379,707	14,375
107,266	430,469	18,032
76,973	533,021	14,001
89,229	490,085	19,821
115,938	581,983	31,610
59,518	535,577	18,116

Schedule 6A

<u>Tobacco Taxes</u>	<u>Wrecker Franchise Tax</u>	<u>Video Poker Fees</u>
\$44,655	\$ 880	\$ -
42,998	1,740	76,734
42,282	2,260	136,427
42,578	1,820	161,694
42,564	1,870	173,088
42,571	2,160	169,902
42,571	2,105	176,470
42,571	1,897	-
-	1,746	-
-	2,019	-

CITY OF DENHAM SPRINGS
PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN YEARS

<u>Year</u>	<u>Total Tax Levy¹</u>	<u>Collections</u>	<u>Percent of Levy Collected</u>	<u>Prior Year Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Collections to Tax Levy</u>
1993	\$108,202	\$106,516	98.44%	\$ -	\$106,516	98.44%
1994	119,742	117,232*	97.90%	631	117,863	98.43%
1995	126,271	124,184	98.35%	1,762	125,946	99.74%
1996	129,745	128,135	98.76%	1,379	129,514	99.82%
1997	130,850	129,826	99.22%	1,493	131,319	100.36%
1998	128,904	124,877	96.88%	452	125,329	97.23%
1999	140,063	134,660	96.14%	4,545	139,205	99.38%
2000	148,065	130,600	88.20%	1,310	131,910	89.09% ²
2001	158,130	150,197	94.98%	15,184	165,381	104.59%
2002	163,406	158,389	96.93%	3,889	162,278	99.31%

*Total 1994 collections includes \$3,187 of collections which were subsequently unaccounted for.

¹"Total Tax Levy" represents the taxpayer portion of the original levy of the Assessor and is the amount to be paid by the taxpayer. The amounts to be paid by the taxpayer are ultimately collected in full except for adjustments due to assessment errors or delayed homestead exemptions.

SOURCE: City of Denham Springs Tax Office.

²During fiscal year ended June 30, 2000, numerous Louisiana Tax Commission Change Orders occurred reducing the percent of levy collected.

CITY OF DENHAM SPRINGS

ASSESSED AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

LAST TEN YEARS

<u>Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio of Total Assessed Value to Total Estimated Actual Value*</u>
1993	\$21,961,990	\$199,654,455	11%
1994	25,282,810	229,843,727	11
1995	26,809,190	243,719,909	11
1996	27,546,730	250,424,818	11
1997	31,914,520	290,132,000	11
1998	31,439,890	285,817,200	11
1999	34,161,710	310,561,000	11
2000	36,113,430	328,303,900	11
2001	45,968,510	417,895,550	11
2002	47,502,340	431,839,450	11

*Actual Valuation (Market Value) as Compared to Assessed Valuation

Residential properties are assessed at 10% of fair market value; commercial and industrial properties, excluding land, are assessed at 15%. The overall assessed value is estimated to be 11% of actual market value.

SOURCE: Livingston Parish Assessor's Grand Recapitulation of the Assessment Roll for the Parish of Livingston.

CITY OF DENHAM SPRINGS

**PROPERTY TAX RATES AND TAX LEVIES -
DIRECT AND OVERLAPPING GOVERNMENTS**

LAST TEN YEARS

<u>Year</u>	<u>City</u>	<u>Parishwide¹</u>	<u>School District #1</u>	<u>Parish</u>	
				<u>Drainage District #1</u>	<u>Recreation District #3</u>
Tax Rates (Mills Per Dollar)					
1993	4.71	51.42	22.70	7.50	39.88
1994	4.71	59.24	22.47	7.50	34.88
1995	4.71	59.24	18.74	7.50	30.89
1996	4.71	68.70	61.72	7.50	15.00
1997	4.10	67.45	53.29	7.03	30.00
1998	4.10	67.45	41.87	5.03	20.00
1999	4.10	64.56	33.64	4.53	18.00
2000	4.10	64.56	28.22	4.53	18.00
2001	3.44	62.84	24.16	3.66	20.00
2002	3.44	62.11	19.25	5.00	18.00

TAX LEVIES

1993	\$108,202	\$ 747,344	\$ 329,925	\$109,006	\$579,621
1994	119,742	938,215	355,869	118,781	552,413
1995	126,271	1,006,853	318,508	127,471	525,011
1996	129,745	1,193,129	1,071,905	130,254	260,508
1997	130,850	1,414,565	1,117,601	147,432	629,162
1998	128,904	1,359,568	843,960	101,388	403,134
1999	140,063	1,477,355	769,799	103,662	411,902
2000	148,065	1,542,418	674,211	108,227	430,042
2001	158,132	1,936,323	744,455	112,778	616,271
2002	163,406	1,991,400	617,203	160,312	577,125

The tax levies represent the original levy of the assessor less the homestead exemption amounts.

¹Parishwide - includes all or some of the following:

Parish/Local, Dixon Sinking, Courthouse Sinking, Road Equipment/Maintenance, Drainage Tax, Courthouse Maintenance, Health Unit, Library, Assessor, Law Enforcement, School Parishwide Constitutional Tax, School Parishwide Additional Support, School Parishwide District #5, School Parishwide Special Maintenance.

SOURCE: Livingston Parish Assessor's Grand Recapitulation of the Assessment Roll for the Parish of Livingston.

<u>Law Enforcement District</u>	<u>Juvenile Detention Center</u>	<u>Total</u>
12.51	-	138.72
12.51	-	141.31
12.51	-	133.59
12.51	-	170.14
12.51	3.00	177.38
12.51	3.00	153.96
12.51	3.00	140.34
12.51	3.00	134.92
12.51	3.00	129.61
12.51	3.00	123.31
\$ 181,822	\$ -	\$2,055,920
198,127	-	2,283,147
212,622	-	2,316,736
217,264	-	3,002,805
262,360	62,916	3,764,886
252,160	60,470	3,149,584
286,272	68,650	3,257,703
298,879	71,674	3,273,516
385,478	92,441	4,045,878
401,102	96,187	4,006,735

CITY OF DENHAM SPRINGS
SPECIAL ASSESSMENT COLLECTIONS

LAST TEN YEARS

<u>Year</u>	<u>Assessments Beginning of Year</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Assessments End of Year</u>
1993	\$ -	\$ -	\$ -	\$ -
1994	-	133,210 ¹	23,535	109,675
1995	109,675 ¹	-	20,860	88,815
1996	88,815	-	30,511	58,304
1997	58,304	-	14,112	44,192
1998	44,192	-	8,525	35,667
1999	35,667	-	8,057	27,610
2000	27,610	-	10,540	17,070
2001	17,070	-	6,830	10,240
2002	10,240	-	3,907	6,333

¹Lakeland Acres Subdivision Paving Project.

SOURCE: Annual Audited Basic Financial Statements.

CITY OF DENHAM SPRINGS

STATEMENT OF LEGAL DEBT LIMIT

General Bonded Indebtedness

POWER TO INCUR DEBT

Municipal corporations, parishes and school districts, roads, sewer-age, waterworks and drainage districts, hospital service districts, fire protection districts, and gas utility districts may incur debt and issue negotiable bonds. (LRS 39:551)

LIMIT OF INDEBTEDNESS

No debt shall be incurred and bonds issued by any local government for any one of the purposes herein provided, which, including the existing bonded debt of such government, shall exceed in the aggregate ten percent of the assessed valuation of the taxable property. However, the governing authority of a municipality may incur debt and issue bonds therefore as provided in this Subsection, for the purpose set forth in Louisiana R.S. 39:553, which may exceed ten percent for any one of such purposes, provided that the aggregate for all of such purposes determined at the time of issuance of the bonds does not exceed thirty-five percent of the assessed valuation of the taxable property of the municipality. (LRS 39:562)

MUNICIPAL PURPOSES

The governing authorities of municipal corporations, including cities, towns and villages, may incur debt and issue bonds of the municipal corporations for the following purposes: opening, constructing, paving and improving streets, sidewalks, roads and alleys; constructing bridges; purchasing or constructing waterworks; sewers and sewerage disposal works; drains, drainage canals, and pumping plants; waste disposal facilities; facilities for pollution control and abatement; light and power plants; gas plants; artificial ice and refrigerating plants; halls; courthouses; jails; public markets and abattoirs; fire department stations and equipment; hospitals; auditoriums; public parks; natatoriums; libraries; school houses; teachers' homes; and other public buildings; docks, wharves, and river terminals; acquiring and/or improving lands for industrial parks, within or without the corporate limits of the municipality; and other works of public improvement as the legislature may expressly authorize. Debt may be incurred and bonds may be issued for the necessary equipment and furnishings for the works, buildings and improvements. (LRS 39:553)

MAXIMUM DURATION AND INTEREST LIMITATION

No bonds issued shall run for a period longer than forty (40) years, or bear a greater rate of interest than the rate set in the proposition approved at the election or be sold for less than par. (LRS 39:563, 39:1424)

ISSUING BONDS: VOTE BY TAXPAYERS

A majority of all qualified voters voting thereon must vote in favor of the proposition to incur debt and issue bonds. (LRS 39:561)

LEVY OF TAXES

The governing authority shall impose and collect annually in excess of all other taxes, a tax on the property subject to taxation sufficient to pay annual principal and interest on these bonds. (LRS 39:569)

Total Assessed Value of Taxable Property		\$47,502,340
		=====
	10% of <u>Assessed Valuation</u>	35% of <u>Assessed Valuation</u>
Legal Debt Limitation	\$4,750,234	\$16,625,819
	=====	=====

There are no outstanding bonds secured by ad valorem taxes of the City of Denham Springs as of June 30, 2002.

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CITY OF DENHAM SPRINGS

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA

LAST TEN YEARS

<u>Year</u>	<u>Population¹</u>	<u>Assessed Value²</u>	<u>General Obligation Bonded Debt</u>	<u>Less Debt Service Fund³</u>
1993	8,538	21,961,990	\$ -	\$ -
1994	8,655	25,282,810	-	-
1995	8,797	26,809,190	-	-
1996	8,902	27,546,730	-	-
1997	9,011	31,914,520	-	-
1998	9,171	31,439,890	-	-
1999	9,248	34,161,710	-	-
2000	9,175	36,113,430	-	-
2001	8,757	45,968,510	-	-
2002	8,883	47,502,340	-	-

SOURCES: ¹Estimates prepared by Capital Region Planning Commission.

²Livingston Parish Assessor's Grand Recapitulation of the Assessment Roll for the Parish of Livingston.

³Amount available in Debt Service Fund for repayment of General Obligation Bonds. Annual Audited Basic Financial Statements.

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ -	- %	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

CITY OF DENHAM SPRINGS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL
GOVERNMENTAL EXPENDITURES

LAST TEN YEARS

<u>Year</u>	<u>Principal</u>	<u>Interest¹</u>	<u>Total Debt Service²</u>	<u>Total General Governmental Expenditures³</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1993	\$ -	\$ -	\$ -	\$3,540,970	-%
1994	-	-	-	4,817,679	-
1995	-	-	-	4,542,641	-
1996	-	-	-	4,715,110	-
1997	-	-	-	5,084,763	-
1998	-	-	-	6,079,148	-
1999	-	-	-	5,977,575	-
2000	-	-	-	6,042,546	-
2001	-	-	-	6,186,246	-
2002	-	-	-	6,886,264	-

¹Excludes paying agent fees and other costs.

²Total Debt Service includes general obligation bonds only. (Does not include Special Assessment Certificates of Indebtedness or Revenue Bonds issued by the Utility Enterprise Fund.)

³Expenditures and Other Uses of the General, Special Revenue, and Debt Service Funds, excluding the expenditures of the Special Assessment Debt Service Fund and 1988 Certificates of Indebtedness Debt Service Fund.

SOURCE: Annual Audited Basic Financial Statements.

CITY OF DENHAM SPRINGS

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

JUNE 30, 2002

	<u>Gross Debt Outstanding</u>	<u>Amounts In Debt Service Fund For Principal</u>	<u>Net Debt Outstanding</u>	<u>City of Denham Springs Percent</u>	<u>Share of Debt</u>
<u>GOVERNMENTAL UNIT</u>					
City of Denham Springs	\$ -	\$ -	\$ -	100%	\$ -
<u>OTHER GOVERNMENTAL AGENCIES</u>					
School District #1	\$ 8,176,576	\$1,110,208	\$7,066,368	40%	\$2,826,547
Jail Bonds:	10,879	-	10,879	17%	1,849
	19,802	-	19,802	17%	3,366
	165,000	-	165,000	17%	28,050
Recreation District No. 3	<u>2,225,000</u>	<u>370,020</u>	<u>1,854,980</u>	46%	<u>853,291</u>
Total Other Governmental Agencies	<u>\$10,597,257</u>	<u>\$1,480,228</u>	<u>\$9,117,029</u>		<u>\$3,713,103</u>
Total Direct and Over- lapping Debt	<u>\$10,597,257</u>	<u>\$1,480,228</u>	<u>\$9,117,029</u>		<u>\$3,713,103</u>
2002 City Population					<u>8,883</u>
Per Capita					<u>\$ 418</u>

CITY OF DENHAM SPRINGS

SUMMARY OF REVENUE BOND COVERAGE

LAST TEN YEARS

Utility Enterprise Fund

<u>Year</u>	<u>Gross Revenue¹</u>	<u>Other Financial Sources</u>	<u>Expenses²</u>	<u>Other Uses³</u>	<u>Available for Debt Service</u>
1993	\$3,453,844	\$ -	\$2,403,230	\$ -	\$1,050,614
1994	3,883,907	-	2,733,004	5,108	1,145,795
1995	3,561,853	-	2,576,764	-	985,089
1996	4,042,911	200,000 ⁴	2,998,298	-	1,244,613
1997	3,960,407	200,000 ⁴	3,038,828	-	1,121,579
1998	4,261,063	-	3,176,498	-	1,084,565
1999	4,006,415	-	3,061,149	-	945,266
2000	4,308,006	-	3,349,639	-	958,367
2001	5,819,138	-	5,052,724	-	766,414
2002	4,962,423	-	4,127,525	-	834,898

¹Total Operating Revenues plus Non-Operating Revenues.

²Total Operating Expenses plus Non-Operating Expenses less Depreciation and Debt Service Interest on Revenue Bonds.

³Operating Transfers Out.

⁴Operating Transfers In.

⁵Includes the paydown of old debt of \$255,524 at advance refunding. Reduced interest rate from 11.0% to 7.2%.

SOURCE: Annual Audited Basic Financial Statements.

<u>Debt Service Requirements</u>			
<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
\$ 118,433	\$296,351	\$ 414,784	2.54
121,637	283,236	404,873	2.84
125,214	269,759	394,973	2.49
129,207	255,874	385,081	3.23
128,374	241,685	370,059	3.03
132,735	227,441	360,176	3.01
453,582 ⁵	124,029	577,611	1.64
219,438	105,090	324,528	2.96
225,467	89,182	314,649	2.44
226,664	72,927	299,591	2.79

CITY OF DENHAM SPRINGS

DEMOGRAPHICS STATISTICS

LAST TEN YEARS

<u>Year</u>	<u>Population</u> ¹	<u>Per Capita Income</u> ²	<u>Public School Enrollment</u> ⁴	<u>Unemployment Livingston Parish</u> ³	<u>Unemployment Labor Market Area</u> ³
1993	8,538	\$14,330	16,600	8.8%	7.3%
1994	8,655	14,737	17,000	9.5	7.4
1995	8,797	16,525	17,400	10.5	8.3
1996	8,902	17,017	18,100	8.5	7.0
1997	9,011	18,057	18,177	7.7	6.6
1998	9,171	18,979	18,522	6.3	5.9
1999	9,248	20,194	18,851	5.5	5.4
2000	9,175	21,016	19,425	5.1	4.4
2001	8,757	21,060	19,648	5.6	5.0
2002	8,883	21,060	20,081	6.0	5.4

¹Population of City of Denham Springs from State Treasurer's Office.

²Parishwide Per Capita Income Per Capital Region Planning Commission.

³Per Capital Region Planning Commission.

⁴Livingston Parish School Board.

CITY OF DENHAM SPRINGS

CONSTRUCTION

LAST TEN YEARS

<u>Year</u>	<u>Residential Construction</u>		<u>Commercial Construction</u>	
	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>
1993	35	\$2,336,500	10	\$5,324,500
1994	37	2,816,721	8	1,982,600
1995	42	3,261,150	9	7,233,000
1996	104	5,417,150	34	4,987,980
1997	72	2,471,903	50	11,121,905
1998	85	2,448,471	62	8,739,416
1999	96	5,062,716	38	14,169,551
2000	94	4,040,349	34	3,649,617
2001	71	3,016,413	50	7,041,155
2002	55	1,966,656	43	8,246,207

SOURCE: Denham Springs Office of Planning and Development.

CITY OF DENHAM SPRINGS
PRINCIPAL SALES TAXPAYERS

JUNE 30, 2002

<u>Taxpayer</u>	<u>Type of Business</u>
Wal-Mart Store	General Merchandise
Winn-Dixie Store	Retail Grocery
Walgreens Store	Retail Pharmacy
James Drugstore	Retail Pharmacy
Smith Building Supply, Inc.	Retail Hardware
Rite-Aid (Formerly K&B Drug Store)	Retail Pharmacy
Racetrac	Retail Convenience
Ryan's	Retail Food
All Star Dodge	Retail Parts and Repairs
Picadilly Cafeteria	Retail Food

SOURCE: Livingston Parish School Board - Sales Tax Office.

CITY OF DENHAM SPRINGS
MISCELLANEOUS STATISTICS

JUNE 30, 2002

Date of Incorporation	May 8, 1903
Form of Government	Mayor - City Council Lawrason Act
Area	City 6 square miles Parish 642 square miles
Fire Protection:	
Number of Stations	2
Number of Firefighters and Officers	25
Number of Volunteer Firemen	-0-
Police Protection:	
Number of Stations	1
Number of Police Officers	27
Sewers:	
Number of Pumping Stations	32
Type of Treatment System	Rock Reed Filter
Employees:	
Number of Employees	170
Municipal Utilities:	
Number of Gas Customers	4,591
Number of Sewer Customers	5,289
Number of Water Customers	6,356
Number of Waste Disposal Customers	3,275
City Sales Tax Rate	1.5%

CITY OF DENHAM SPRINGS, LOUISIANA
INTERNAL CONTROL AND COMPLIANCE
REPORT REQUIRED BY GOVERNMENT AUDITING
STANDARDS

YEAR ENDED JUNE 30, 2002

CITY OF DENHAM SPRINGS, LOUISIANA

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



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September 17, 2002

The Mayor and Members of
the City Council
City of Denham Springs
Denham Springs, Louisiana

We have audited the basic financial statements of the City of Denham Springs, Louisiana, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards, which are described in the accompanying schedule of findings and questioned costs as items 02-01 through 02-06.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 Denham Springs' ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 02-07 through 02-12.

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 basic 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 02-10 to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the City of Denham Springs in a separate letter dated September 17, 2002.

This report is intended for the information of management and the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and pass-through entities. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Denham Springs, Louisiana, is a matter of public record.

Respectfully submitted,

Harris J. Bourgeois, CPA

CITY OF DENHAM SPRINGS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2002

Compliance Findings:

Finding 02-01:

During our testing of utility accounts receivable, it was noted that accounts over 90 days had increased substantially. Upon further investigation we determined that not all accounts, which had become two months delinquent, and owed over \$20 had been disconnected as required by the City's Ordinance. In addition, we found no written authorization which would allow City employees an exception to the disconnect procedures.

Recommendation:

We recommend that the City abide by its Ordinance and disconnect utility services to those customers who remain delinquent after two months. If for some reason the services are not disconnected, a written authorization should be required from the Mayor documenting the reasons for the authorization.

Management's Response:

Management concurs with the recommendation and in the future shall require the written authorization. For those accounts that have remained past due, a demand letter has been sent to each customer.

Finding 02-02:

During our testing of the bid law requirements we noted the City had purchased radio equipment for the police department for approximately \$40,000. The purchasing agent stated that bids were not required for the purchase of telecommunication equipment therefore; no bid documentation was on file. Upon further investigation we determined that this purchase would be subject to the bid process and therefore the City had violated the bid law.

Recommendation:

We recommend that purchasing remain up to date with the changes in the laws concerning the requirements for bid. If there is any question as to whether the bid process is required, management should request opinion from legal counsel and put a copy with the invoice purchasing the asset.

Management's Response:

Management concurs with the recommendation and will utilize legal counsel when there is a question concerning exemption to the requirements of the bid law.

Finding 02-03:

During the course of our audit, the City's attorney disclosed to us that he had been informed by the City that an employee of the Street Department would remain on City time and then proceed to a part-time janitorial job at another business and then come back to the City to complete his janitorial duties before clocking out for the day. The supervisor would then sign his time card each payroll period. Upon investigation by the City's attorney, it was determined that the time being approved by the supervisor appeared to be limited to those hours actually worked at the City and did not include the hours at the other business. Thus the employee's time card actually shows more hours worked than he was actually paid. Management reviewed all payroll records of the employee and the supervisor for the period under question and has received reimbursements for any discrepancies found.

Recommendation:

We recommend that the City continue to monitor its employees and monitor that all employees are clocking in and out appropriately.

Management's Response:

Management concurs with the recommendations. In addition, management suspended the Street employee from employment for two weeks, without pay and required reimbursement of \$301.34 prior to returning to work for entering incorrect information on his time card and for receiving pay not earned. The supervisor was formally reprimanded for failure to make sure that all the time sheets of the employees of his department were correct prior to his signing his approval to each one. Finally, the City's attorney has informed the Legislative Auditor and the District Attorney of the 21st Judicial District of these facts.

Finding 02-04:

During our audit we were informed that the City had reimbursed an employee \$82.72 for refreshments for a facial and cosmetics party. Upon our investigation there was a reimbursement for refreshments for what management thought would be a morale booster for the women working at City Hall. The meeting actually took place after hours on Friday June 21, 2002. Apparently it was not taken by the employees in that respect, as we were told only two employees attended. In any event, the purchase of refreshments for employees meetings using public funds is not appropriate.

Recommendation:

We recommend the City discontinue any practice of purchasing refreshments for employees' meetings.

Management's Response:

Management concurs with the recommendation.

Finding 02-05:

During the audit we became aware of an instance where the City paid the medical bills of two employees who were supposedly exposed to conjunctivitis by the children of one of the City's customers during working hours. The total medical bills paid were \$260 and were approved by the City's Treasurer. The explanation was that because it was under \$500 the Treasurer decided it would be better to pay the medical bills rather than file a workers compensation claim. We believe the payment of the invoice by the City rather than by workers compensation is inappropriate. The spending of public funds where there appears no legal obligation to do so is inappropriate.

Recommendation:

We recommend that the City obtain reimbursement from the employees involved and that the proper worker compensation paperwork be filed. If the event actually should be reimbursed, then the City's workers compensation policy will take care of the reimbursements.

Management's Response:

Management concurs with the recommendations.

Finding 02-06:

During the current audit, we attempted to determine if department heads were tracking and reporting personal mileage on vehicles assigned to them. A couple of years ago, the City had each department head sign a statement that they were aware that no City vehicle may be used for personal business. Currently, no effort to monitor any personal use of vehicles is in place. We noted no employees actually reported using a City vehicle for personal use. In attempting to test for any personal use, the City could not produce adequate vehicle information to assist in determining any misuse. However we did note that the City was charging the department heads \$3/day and adding this amount to the employees' W-2 to cover commuting mileage as required by Internal Revenue Code Section 1.61-21 (f).

Recommendation:

We recommend the City formally adopt a written vehicle usage policy and design it such that adequate written information is required and available to be able to assist management in the monitoring of the policy. Each employee stating that they have read and understand the policy should sign a new form annually.

Management's Response:

Management concurs with the recommendations.

Internal Control Findings:

Finding 02-07:

During our testing of certain construction contracts, equipment purchases and accounts payable for the year ended June 30, 2002, we noted two instances in which invoices were actually paid twice by the City. The City paid Nortrax South on August 16, 2001, check number 23022 in the amount of \$62,234 and then paid the invoice again on October 22, 2001, check number 24040 in the amount of \$62,234. The City received a cash refund of the overpayment on November 14, 2001, in the amount of \$62,234. In addition, the City paid Cajun Constructors, Inc. on July 5, 2002, check number 27578 in the amount of \$33,650 and then paid the application for payment again on July 26, 2002, check number 27808 also in the amount of \$33,650. The City received a cash refund of \$33,650 on August 16, 2002. These duplicate payments seem to be isolated incidences, but still should not have happened.

Recommendation:

We recommend more care be taken when paying invoices. Although the City was reimbursed for the overpayments the City did not have use of those funds until the vendor repaid the overpayments. Had the invoices been marked paid, with the date paid, check number, and account number, this error could have been avoided.

Management's Response:

Management concurs with the recommendations.

Finding 02-08:

During our testing of accumulated unpaid leave for the year ended June 30, 2002, we noted for one employee tested that the supervisor had failed to sign the employees time card six times out of the twenty-six pay periods. In addition, in testing the time cards of the Mayor's assistant from July 1, 2001 to December 1, 2002, we located all time cards and the employee had signed all, but sixteen cards were unsigned by the Mayor, his immediate supervisor. All other time cards pulled for our payroll transaction testing were signed by the employee and the supervisor.

Recommendation:

We recommend that the payroll department not prepare or release a payroll check without the proper employee signature and the proper supervisor's signature.

Management's Response:

Management concurs with the recommendation.

Finding 02-09:

During our testing of accumulated unpaid leave for the year ended June 30, 2002, we noted that the computation of accumulated leave for the police officers is not being computed exactly the same in each instance. When asked why this occurred, personnel told us the differences came about because of interpretation of the City's policy.

Recommendation:

We recommend the City re-evaluate the personnel policies concerning employee benefits and accumulated leave. In addition, the policy should not be subject to interpretation, but should be able to be calculated as stated in the policy.

Management's Response:

Management concurs with the recommendation and expects to hire legal counsel having expertise in personnel matters to review and recommend changes to the City's personnel policies and procedures manual.

Finding 02-10:

During our audit we tested the payroll of the personnel director from July 1, 2001, to December 1, 2002. We noted that the employee and her supervisor had signed all applicable time cards. We also noted that during this time period all overtime had been approved by the City Treasurer. Explanations for the overtime were also included on the approved forms. However, numerous discrepancies were discovered. The discrepancies included the following:

- Small immaterial payroll calculation differences noted in three instances.
- On at least eleven occasions the employee issued herself a manual check prior to the date of the regular payroll check issuance without proper authorization.
- No payroll documentation and no supervisory approval for the issuance of check number 69214 dated December 6, 2001, in the amount of \$1,030.15. It seems that the employee paid herself for 80 hours of earned comp time without proper approval.
- No payroll documentation and no supervisory approval for the issuance of check number 71805 dated June 28, 2002, in the amount of \$858.10 but not recorded until July 23, 2002. It seems this payment was an advance of payroll that was not reimbursed until December 6, 2002.
- No payroll documentation and no supervisory approval for the issuance of check number 73117 dated October 16, 2002, in the amount of \$935.41 but not recorded until October 29, 2002.

In addition, we noted that although two employees had keys to the check signature machine, each employee knew the PIN number to use the machine and only one key was required to use the machine. One of the keys was in the possession of the personnel director. We noted that City policy was to have a second employee review and sign the payroll register prior to the issuance of payroll checks. This step had been bypassed all year. The City Accountant prepares the City's bank reconciliations but was not allowed access to the actual payroll information by the personnel director. The personnel director would give the City Accountant the information concerning payroll that was used to complete the bank reconciliations.

Recommendation:

We recommend that management obtain reimbursement for all unauthorized payments and decide the proper disciplinary actions against the personnel director for all the abuses identified above. In addition, we recommend that the City separate the possession of the signature machine keys from the individuals with the knowledge of the PIN number to be used to operate the machine. The machine could also be locked in a secure location within the City Treasurer's office. He would not be in possession of a key or have knowledge of the PIN number to use the machine. In this situation you would have to have three individuals involved in the writing and signing of payroll checks. We would also recommend that anyone involved with the payroll process be required to have their payroll check direct deposited into their accounts. Finally, we recommend that the City abide by its policy to have that second employee review and sign the payroll register along with the personnel director, prior to the issuance of the payroll checks. At no time should the personnel director be allowed to assist in the preparation of the bank reconciliations.

A copy of this report is being submitted to the District Attorney of the 21st Judicial District of the State of Louisiana.

Management's Response:

Management concurs with our recommendation and plans to discuss with the City's legal counsel proper disciplinary actions against the personnel director.

Finding 02-11:

During our detail testing of the personnel director's time cards above, we noted that it is City policy to allow the use of vacation time to make up for any time missed during the week, so that on days that an employee may work over and or after hours, they will be paid overtime at 1 ½ times their regular pay rate. Upon discussing this issue with the City Treasurer, he stated that this is done by most all the employees and is allowed by policy.

Recommendation:

We again recommend the City re-evaluate the personnel policies concerning employee benefits and accumulated leave.

Management's Response:

Management concurs with the recommendation and expects to hire legal counsel having expertise in personnel matters to review and recommend changes to the City's personnel policies and procedures manual.

Finding 02-12:

Upon analysis of cell phone usage during the year we noted that the City had no written policy controlling the use of cell phones. No employee was designated to monitor the cell phone usage and that several employees with cell phones substantially exceeded their allotted minutes each month. It also seems that personal calls are being made on these phones and are not being reimbursed to the City.

Recommendation:

We recommend that the City review the needs of each cell phone in use by the employees and document the number of minutes that the employee should be allowed. The City should then develop a policy concerning the use of City cell phones. The reasons for any cell phone usage over the allotted time should be documented in writing and signed by the employee and the City Treasurer. Personal cell phone use, over the allotted time should be reimbursed to the City at the cell phone program rate.

Because of the lack of monitoring during the year, we recommend that management make a detailed analysis of all cell phone usage, beginning July 1, 2001. In addition, management should review all cell phone invoices, and obtain reimbursement for personal minutes identified as exceeding the allotted minutes for the said employees' cell phone plan.

Management's Response:

Management concurs with these recommendations and is currently in the process of analyzing these cell phone invoices and will obtain reimbursements for personal calls exceeding the allotted minutes per plan for said employees' cell phone.

CITY OF DENHAM SPRINGS, LOUISIANA

MANAGEMENT LETTER

JUNE 30, 2002



Hannis T. Bourgeois, LLP

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September 17, 2002

The Mayor and Members of
the City Council
City of Denham Springs
Denham Springs, Louisiana

In planning and performing our audit of the basic financial statements of the City of Denham Springs, Louisiana, for the year ended June 30, 2002, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 17, 2002, on the basic financial statements of the City of Denham Springs, Louisiana.

CURRENT YEAR FINDINGS:

None.

PRIOR YEAR FINDINGS:

Finding 00-1:

It was noted in the prior years and again in the current year that there is a lack of written policies and procedures in the various cycles comprising the City's accounting/finance function. Written policies and procedures are essential to a strong internal control system and accounting department.

Recommendation:

We again recommend the City begin the task of evaluating the various cycles and developing written policies and procedures for each cycle.

Management's Response:

The first step toward a policy and procedure manual has been implemented. The City of Denham Springs sent out letters on January 15, 2002 to the Personnel Manager, City Accountant, the Tax Collector, and the Utility Supervisor. All accounting cycles except for Personnel have been documented. Personnel has started documenting its accounting cycles. The next step is to combine all the documented accounting cycles into one policy and procedures manual. The completed policy and procedures manual will be reviewed and updated periodically as needed.

Finding 00-5:

It was noted in the prior years and again in the current year that the mail is not being opened under dual control and a daily cash receipts log is not being maintained at the time the mail is opened.

Recommendation:

In an effort to greatly strengthen internal control in this area, we again recommend the daily mail should be opened under dual control by two employees and at that time any checks/cash received should be documented on a cash receipts log. After all mail is opened, the cash receipts should be submitted to the applicable department for processing. A copy of the daily log should also be sent with the cash receipts log.

Management's Response:

Presently mail is being distributed unopened to the proper departments. Utility payments are delivered to the Utility Department, and other payments are distributed to the Tax Department for processing. All other mail addressed to individual employees is delivered accordingly. To reduce the volume of payments received management has implemented a lockbox to handle utility customer payment's being mailed to the City. The lockbox has significantly reduced the volume of payments being received through the mail by the City. The City is currently evaluating the volume of mail being received to determine the feasibility of implementing the opening of mail under the dual control of two employees. Key to this implementation is the second employee assigned to the documentation of a cash receipts log. Management is continuing to review which employee along with the mail clerk to assign to the documentation of cash receipts log.

Finding 00-6:

In the utility billing department, it was noted in the prior years and again in the current year that there is an overall lack of segregation of duties in that the same person who collects payments from customers also posts the payments to the customer accounts. Generally, the ability to collect payments from a customer and post the payment to the customers account by the same person is considered to be a weakness in internal controls.

Recommendation:

We recommended the City reevaluate its procedures in the utility department to achieve the maximum amount of segregation of duties possible considering the limited number of employees. At no time should individuals collecting payments be posting those payments to customer accounts.

Management's Response:

Management concurs with this recommendation but cannot justify the hiring of an additional person to post customer accounts. Instead management is investing in a more efficient method of handling customer payments and customer account postings and has implemented a lockbox system beginning August 5, 2002.

Finding 00-7:

As noted in the prior years and again in the current year, each department of the City continues to collect and process cash receipts.

Recommendation:

We again recommend the City consider a "centralized" cash collection site for non-utility receipts to help alleviate the lack of segregation of duties and make the cash collection process more efficient.

Management's Response:

Management continues to evaluate the implementation of a "centralized" cash collection system in the next fiscal year as further discussed in this letter. Management's ability to consolidate the Police Department bond payments is limited by the fact that bond payments must be remitted directly to the Police Department because of their ability to receive bond payments 24 hours a day. Based on this fact, management has consolidated its cash receipts between three departments, the Police Department, the Utility Department, and the Tax Department. By April 2003 the cash management software program will be implemented for the Tax and Utility Department.

Finding 00-8:

In the prior years and again in the current year, we noted an overall lack of segregation of duties in that the same person who prepares the daily deposit, posts to the general ledger and also reconciles the bank statement.

Recommendation:

We recommended the City reevaluate its procedures to achieve the maximum amount of segregation of duties possible considering the limited number of employees.

Corrective Action Taken:

Presently deposits are being made by the Utility and Tax Departments. The City Accountant handles the manual posting of deposits to the general ledger. The City Accountant and the City Treasurer handle reconciling the monthly bank statements. Payroll checks are being reconciled through the City's software program. Management continues to evaluate the tools their personnel require to efficiently handle their duties. The implementation of the cash management program and the lockbox system as discussed in Finding 00-7 will go a long way to resolve internal control problems cited.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the conditions described above is believed to be a material weakness.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Treasurer and Finance Committee, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended for the use of management, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Denham Springs, Louisiana, is a matter of public record.

Respectfully submitted,

Harris J. Bourgeois, CPA