

# City of Leesville, Louisiana

## Financial Report

June 30, 2005

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

Release Date 1/25/06

**City of Leesville, Louisiana  
June 30, 2005**

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June 30, 2005**

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report**

The Honorable Jim Shapkoff, Jr., Mayor  
And Members of the City Council  
City of Leesville, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leesville, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Leesville, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of the City of Leesville, Louisiana, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Leesville, Louisiana, as of June 30, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Leesville, Louisiana, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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PAYNE, MOORE & HERRINGTON, LLP

The Honorable Jim Shapkoff, Jr., Mayor  
And Members of the City Council  
City of Leesville, Louisiana

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2005, on our consideration of the City of Leesville, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information presented on pages 3 through 10 and 46 through 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Leesville, Louisiana's primary government. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Schedule 4), and is not a required part of the basic financial statements of City of Leesville, Louisiana's primary government. The schedule of the expenditures of federal awards 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 unaudited schedule of insurance in force (Schedule 5) is also presented for the purposes of additional analysis and is not a required part of the basic financial statements. The unaudited schedule of insurance in force has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Payne, Moore & Herrington, LLP*  
Certified Public Accountants

December 19, 2005

**Required Supplemental Information –  
Part I**

**Management's Discussion and Analysis**

**City of Leesville, Louisiana  
Management's Discussion and Analysis  
Year Ended June 30, 2005**

Our discussion and analysis of the City of Leesville's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements, which begin on page 11.

**Financial Highlights**

- The City's new ½ cent sales tax went into effect in April 2004. During the fiscal year ending June 30, 2005, this ½ cent sales tax generated approximately 1.2 million dollars, which was used to support and operate both the police and fire departments. The City also entered into a lease agreement to purchase a 2003 Ferrara "Inferno" Chassis 100' ladder truck for our Fire Department for \$650,000. The City has also begun construction of a new Fire Substation, which will cost \$389,000 upon completion.
- The City issued \$2,500,000 in Public Improvement Bonds financed by sales tax revenues, which will be used for street renovations, drainage, parks and recreation, and to purchase new public works equipment.
- The City began a Street Renovation Project, funded by \$1,800,000 in general obligation bonds payable from ad valorem taxation, which entails constructing, improving and resurfacing public streets within the City limits. As of June 30, 2005, in excess of forty city streets have been resurfaced.
- In September 2004, the City along with our neighboring communities and Fort Polk sponsored "A Louisiana Homefront Celebration" honoring our military troops. In 2005, this event was the 1st Place winner in the Special Events of 2004 for the Community Relations Award for the United States Army.
- The City received federal and state grants totaling \$611,111 to fund a project to overlay the runway, apron and taxiway, and to rehabilitate lighting at the Leesville airport.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12, respectively) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

See independent auditor's report.

**City of Leesville, Louisiana  
Management's Discussion and Analysis  
Year Ended June 30, 2005**

**Reporting on the City as a Whole**

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including police, fire, public works, parks and recreation, and general administration. Sales taxes, property taxes, franchise fees, and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here.

**Reporting the City's Major Funds**

Our analysis of the City's major funds begins on page 8. The fund financial statements begin on page 16 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and/or bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- **Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation accompanying the fund financial statements.

See independent auditor's report .

**City of Leesville, Louisiana  
Management's Discussion and Analysis  
Year Ended June 30, 2005**

- **Proprietary funds** – When the City charges customers for services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use an internal service fund (the other component of proprietary funds) to report activities that provide services to the City's other programs and activities.

**The City as a Whole**

The following is a condensed summary of the City's net assets as of June 30, 2005 with comparative information to enhance the user ability to evaluate operating results of the City.

**Table 1  
Net Assets**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>
<b>Assets</b>						
Current and other assets	3,919,439	4,832,556	718,494	748,799	4,637,933	5,581,355
Capital assets	12,411,945	14,428,809	11,141,086	11,025,535	23,553,031	25,452,344
<b>Total Assets</b>	<b>16,331,384</b>	<b>19,259,365</b>	<b>11,859,580</b>	<b>11,774,334</b>	<b>28,190,964</b>	<b>31,033,699</b>
<b>Liabilities</b>						
Long term debt outstanding	3,317,212	6,038,168	3,958,121	3,901,555	7,275,333	9,937,723
Other Liabilities	413,722	497,108	817,988	166,783	1,031,710	663,891
<b>Total Liabilities</b>	<b>3,730,934</b>	<b>6,533,276</b>	<b>4,576,109</b>	<b>4,068,338</b>	<b>8,307,043</b>	<b>10,601,614</b>
<b>Net Assets</b>						
Invested in capital assets, net	7,473,920	8,582,381	7,806,086	7,387,022	15,280,006	15,949,403
Restricted	2,222,108	3,173,087	96,846	76,371	2,318,954	3,249,458
Unrestricted (deficit)	2,904,422	970,621	(819,481)	262,603	2,284,961	1,233,224
<b>Total Net Assets</b>	<b>12,600,450</b>	<b>12,726,089</b>	<b>7,283,471</b>	<b>7,705,996</b>	<b>19,883,921</b>	<b>20,432,085</b>

Table 2 presented on the following page is a condensed summary of the changes in net assets for the year ending June 30, 2005. As a whole the City's net assets increased by \$548,164 or 3%.

See independent auditor's report.

**City of Leesville, Louisiana  
Management's Discussion and Analysis  
Year Ended June 30, 2005**

**Governmental Activities**

Net assets of governmental activities increased by \$125,639 or 1% due mostly to capital grants.

**Business-type Activities**

Net assets of business-type activities increased by \$422,525, or 6%, mainly because of a decrease in transfers from business-type activities to governmental activities. Unrestricted net assets can be used to finance the day-to-day activities of the City.

**Table 2  
Changes in Net Assets**

	Governmental		Business-Type		Total	
	2004	2005	2004	2005	2004	2005
<b>Revenues</b>						
Program revenues						
Charges for services	1,165,347	1,212,450	1,503,614	1,504,999	2,668,961	2,717,449
Operating grants	171,797	208,999			171,797	208,999
Capital grants	109,378	649,096	202,682	205,271	312,060	854,367
General revenues						
Sales taxes	2,427,145	3,448,112			2,427,145	3,448,112
Other taxes	735,419	752,228	330,397	361,721	1,065,818	1,113,949
Other general revenues	73,553	69,423	1,864	2,018	75,417	71,441
<b>Total Revenues</b>	<b>4,882,639</b>	<b>6,340,308</b>	<b>2,038,557</b>	<b>2,074,009</b>	<b>6,721,196</b>	<b>8,414,317</b>
<b>Program Expenses</b>						
General government	739,050	981,247			739,050	981,247
Public safety	2,233,789	3,252,278			2,233,789	3,252,278
Public works	903,416	883,754			903,416	883,754
Economic development	557,247	542,086			557,247	542,086
Culture and recreation	308,946	357,721			308,946	357,721
Interest on long-term debt	90,218	203,763	138,608	132,131	228,826	335,894
Water			862,474	849,114	862,474	849,114
Sewer			626,460	664,059	626,460	664,059
<b>Total Expenses</b>	<b>4,832,666</b>	<b>6,220,849</b>	<b>1,627,542</b>	<b>1,645,304</b>	<b>6,460,208</b>	<b>7,866,153</b>
<b>Excess (Deficiency)</b>	<b>(150,027)</b>	<b>119,459</b>	<b>411,015</b>	<b>428,705</b>	<b>260,988</b>	<b>548,164</b>
<b>Transfers</b>	<b>472,452</b>	<b>6,180</b>	<b>(472,452)</b>	<b>(6,180)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>322,425</b>	<b>125,639</b>	<b>(61,437)</b>	<b>422,525</b>	<b>260,988</b>	<b>548,164</b>

See independent auditor's report.

**City of Leesville, Louisiana  
Management's Discussion and Analysis  
Year Ended June 30, 2005**

Capital grants increased mostly due to federal and state funding received for improvements at the airport. Sales taxes increased due to the new sales tax to fund police and fire department operations. Program expenses increased mainly because of a 25% across the board pay increase to city employees. This was the first pay increase employees received in seven years.

**The City's Funds**

As the City completed the year, its governmental funds, as presented in the balance sheet on page 16, reported a combined fund balance of \$4,419,931, for increase of \$931,472 over the prior year.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the budget several times as new information became available. Overall there was a budgeted decrease in fund balance due to reduced transfers received from the water and sewer funds.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of the fiscal year, the City had \$25,452,344 invested in a broad range of capital assets, including land, buildings and improvements, infrastructure (roads, bridges and drainage systems), water treatment and distribution systems, and sewer collection and treatment systems. This amount represents a net increase (including additions and deductions) of \$1,899,313. Capital assets are summarized in the following table:

Table 3  
Capital Assets, Net of Depreciation

	Governmental		Business-Type		Total	
	2004	2005	2004	2005	2004	2005
Land	228,856	278,856	157,249	157,249	386,105	436,105
Construction in progress		1,476,593	344,340	461,329	344,340	1,937,922
Buildings and improvements	7,834,101	7,599,873			7,834,101	7,599,873
Plant and system			10,583,039	10,373,660	10,583,039	10,373,660
Equipment and vehicles	567,218	921,412	56,459	33,297	623,677	954,709
Infrastructure	3,781,770	4,150,075			3,781,770	4,150,075
<b>Totals</b>	<b>12,411,945</b>	<b>14,426,809</b>	<b>11,141,087</b>	<b>11,025,535</b>	<b>23,553,032</b>	<b>25,452,344</b>

This year's major additions included \$858,096 in vehicles and equipment and \$1,359,604 in construction in progress for street and water system improvements. During the fiscal year ending June 30, 2005, the City issued \$2,500,000 in public improvement bonds to finance street and other public works improvements.

See independent auditor's report.

**City of Leesville, Louisiana  
Management's Discussion and Analysis  
Year Ended June 30, 2005**

**Debt**

At year-end, the City had \$9,937,723 in bonds, notes, and other debt outstanding verses \$7,275,333 last year – an increase of 37% as shown in Table 4.

Table 4  
Outstanding Debt

	Governmental		Business-Type		Total	
	2004	2005	2004	2005	2004	2005
<b>General Obligation Debt</b> (backed by the City)						
General obligation bonds	2,380,000	2,245,000	3,335,000	3,065,000	5,715,000	5,310,000
Compensated absences	155,580	191,740	19,588	33,289	175,168	225,009
Capitalized leases	288,758	843,002			288,758	843,002
Notes payable	32,874	16,428	71,787	341,513	104,661	357,939
Customer guaranteed deposits			187,746	209,773	187,746	209,773
<b>Revenue Bonds and Notes</b> (backed by specific taxes and fees)						
Sales tax revenue	460,000	2,740,000			460,000	2,740,000
Water and sewer revenue			344,000	252,000	344,000	252,000
<b>Totals</b>	<b>3,317,212</b>	<b>6,036,168</b>	<b>3,958,121</b>	<b>3,901,555</b>	<b>7,275,333</b>	<b>9,937,723</b>

New debt resulted mainly from issuing public improvement bonds of \$2,500,000 for street improvements and the capital lease of \$650,000 for the new fire truck. In addition, notes payable were incurred to finance acquisition of water system capital additions.

**Future Outlook**

The City's anticipates the construction of a new state of the art swimming pool, which will cost approximately \$650,000. The facility will be an addition to the city's recreation complex.

The City will continue renovating and resurfacing city streets from the proceeds of the \$2,500,000 public improvement bonds. The City also plans to purchase various public works equipment during the upcoming year.

The City has been awarded a contract for street renovations through the Louisiana Community Development Block Grant program in the amount of \$500,000, which will fund the resurfacing and improving of city streets located primarily within the city's District 2.

The City has received a new tenant at the city's northside industrial park. The company will manufacture modular buildings and will be employ approximately 180 individuals.

The City expects its economic base to remain about the same.

See independent auditor's report.

**City of Leesville, Louisiana  
Management's Discussion and Analysis  
Year Ended June 30, 2005**

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City Administrator at the City of Leesville, 101 West Lee Street, Leesville, Louisiana or by telephone at 337-239-2444.

See independent auditor's report.

**Basic Financial Statements**

**Government-Wide  
Financial Statements (GWFS)**

**City of Leesville, Louisiana**  
**Statement of Net Assets**  
**June 30, 2005**

**Exhibit A**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,065,102	\$ 69,496	\$ 4,134,598
Receivables, net	505,202	243,644	748,846
Internal balances	93,268	(93,268)	-
Due from other governments	70,359	59,052	129,411
Prepaid expenses	25,328	-	25,328
Inventories	73,297	-	73,297
Restricted cash and cash equivalents	-	431,768	431,768
Deferred bond issuance costs	-	38,107	38,107
Capital assets			
<i>Land and construction in progress</i>	1,755,449	618,578	2,374,027
<i>Other capital assets, net of depreciation</i>	12,671,360	10,406,957	23,078,317
<b>Total Assets</b>	<u>19,259,365</u>	<u>11,774,334</u>	<u>31,033,699</u>
<b>Liabilities</b>			
Accounts payable	407,744	128,587	536,331
Accrued interest	83,840	37,599	121,439
Other accrued expense	5,524	597	6,121
Long-term liabilities			
Due within one year	612,677	368,000	980,677
Due in more than one year	5,423,491	3,533,555	8,957,046
<b>Total Liabilities</b>	<u>6,533,276</u>	<u>4,068,338</u>	<u>10,601,614</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	8,582,381	7,367,022	15,949,403
Restricted for			
Capital projects	2,652,733	59,610	2,712,343
Debt service	520,354	-	520,354
<i>Capital additions and contingencies</i>	-	16,761	16,761
Unrestricted	970,621	262,603	1,233,224
<b>Total Net Assets</b>	<u>\$ 12,726,089</u>	<u>\$ 7,705,996</u>	<u>\$ 20,432,085</u>

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

**City of Leesville, Louisiana**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Exhibit B

Functions/Programs	Program Revenue				Net Revenue (Expense) and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental activities</b>								
General government	\$ 981,247	\$ 401,539	\$ -	\$ -	\$ (579,708)	\$ -	\$ (579,708)	\$ (579,708)
Public safety	3,252,278	642,697	149,928	3,150	(2,456,503)	-	(2,456,503)	(2,456,503)
Public works	883,754	5,175	19,571	50,000	(809,008)	-	(809,008)	(809,008)
Economic development	542,086	88,759	39,500	595,946	182,119	-	182,119	182,119
Culture and recreation	357,721	74,280	-	-	(283,441)	-	(283,441)	(283,441)
Interest on long-term debt	203,763	-	-	-	(203,763)	-	(203,763)	(203,763)
Total Governmental Activities	<u>6,220,849</u>	<u>1,212,450</u>	<u>208,999</u>	<u>649,096</u>	<u>(4,150,304)</u>	<u>-</u>	<u>(4,150,304)</u>	<u>(4,150,304)</u>
<b>Business-type activities</b>								
Water	849,114	1,035,838	-	205,271	-	391,995	391,995	391,995
Sewer	664,058	489,161	-	-	(194,898)	-	(194,898)	(194,898)
Interest and fiscal charges on long-term debt	132,131	-	-	-	(132,131)	-	(132,131)	(132,131)
Total Business-type Activities	<u>1,645,304</u>	<u>1,504,999</u>	<u>-</u>	<u>205,271</u>	<u>64,966</u>	<u>-</u>	<u>64,966</u>	<u>64,966</u>
<b>Total Primary Government</b>	<u>\$ 7,866,153</u>	<u>\$ 2,717,449</u>	<u>\$ 208,999</u>	<u>\$ 854,367</u>	<u>(4,150,304)</u>	<u>64,966</u>	<u>(4,085,338)</u>	<u>(4,085,338)</u>
<b>General Revenues</b>								
Taxes								
Ad valorem taxes					323,134	361,721	684,855	684,855
Sales taxes					3,448,112	-	3,448,112	3,448,112
Franchise and miscellaneous taxes					429,094	-	429,094	429,094
Investment earnings					17,307	2,018	19,325	19,325
Miscellaneous					52,116	-	52,116	52,116
Transfers					6,180	(6,180)	-	-
Total General Revenues and Transfers					<u>4,275,943</u>	<u>357,559</u>	<u>4,633,502</u>	<u>4,633,502</u>
<b>Change in Net Assets</b>					125,639	422,525	548,164	548,164
<b>Net Assets, Beginning of Year</b>					12,600,450	7,283,471	19,883,921	19,883,921
<b>Net Assets, End of Year</b>					<u>\$ 12,726,089</u>	<u>\$ 7,705,996</u>	<u>\$ 20,432,085</u>	<u>\$ 20,432,085</u>

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

**Fund Financial Statements**

City of Leesville, Louisiana  
Balance Sheet  
Governmental Funds  
June 30, 2005

Exhibit C

	General Fund	Sales Tax Special Revenue Fund	Public Safety Special Revenue Fund	2004 Street Improvement Capital Projects Fund	2005 Sales Tax Bond Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 948	\$ 374,476	\$ 187,394	\$ 364,505	\$ 2,423,205	\$ 834,638	\$ 4,185,166
Receivables - net	70,160	236,610	124,043	-	-	65,788	496,601
Due from other funds	16,651	95,000	-	-	-	50,000	161,651
Due from other governments	54,849	-	4,567	-	-	-	59,216
Inventories	73,297	-	-	-	-	-	73,297
<b>Total Assets</b>	<b>\$ 215,705</b>	<b>\$ 706,086</b>	<b>\$ 316,004</b>	<b>\$ 364,505</b>	<b>\$ 2,423,205</b>	<b>\$ 950,426</b>	<b>\$ 4,975,931</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Bank overdraft	123,107	-	-	-	-	-	123,107
Accounts and contracts payable	84,450	18,122	105,023	58,539	76,438	16,973	359,545
Accrued expense/other payables	5,524	-	-	-	-	-	5,524
Due to other funds	2,624	6,523	9,228	-	-	50,008	68,383
<b>Total Liabilities</b>	<b>215,705</b>	<b>24,645</b>	<b>114,251</b>	<b>58,539</b>	<b>76,438</b>	<b>66,981</b>	<b>556,559</b>
<b>Fund balances</b>							
Reserved for							
Capital projects	-	-	-	305,966	2,346,767	-	2,652,733
Debt service	-	-	-	-	-	522,519	522,519
Unreserved	-	681,441	201,753	-	-	-	883,194
Unreserved, reported in non-major Special revenue funds	-	-	-	-	-	238,774	238,774
Capital projects funds	-	-	-	-	-	122,152	122,152
<b>Total Fund Balances</b>	<b>-</b>	<b>681,441</b>	<b>201,753</b>	<b>305,966</b>	<b>2,346,767</b>	<b>883,445</b>	<b>4,419,372</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 215,705</b>	<b>\$ 706,086</b>	<b>\$ 316,004</b>	<b>\$ 364,505</b>	<b>\$ 2,423,205</b>	<b>\$ 950,426</b>	<b>\$ 4,975,931</b>

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

**City of Leesville, Louisiana**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Assets**  
**June 30, 2005**

**Exhibit D**

**Fund Balances - Governmental Funds**

**\$ 4,419,372**

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

Capital assets used in governmental activities that are not current financial resources and therefore, are not reported in the fund financial statement but are reported in the governmental activities of the Statement of Net Assets.

14,426,809

Certain expenditures benefiting future periods are reported as deferred charges in the Statement of Net Assets.

25,328

The assets and liabilities of the internal service fund are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

(25,412)

Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable ), are not due and payable in the current period and are not included in the fund financial statement but are included in the governmental activities of the Statement of Net Assets.

(6,036,168)

Interest on long-term debt is accrued in the Statement of Net Assets, but not in the governmental funds.

(83,840)

**Net Assets of Governmental Activities in the Statement of Net Assets**

**\$ 12,726,089**

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

**City of Leesville, Louisiana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2005**

Exhibit E

	General Fund		Sales Tax Special Revenue Fund		Public Safety Special Revenue Fund		2004 Street Improvement Capital Projects Fund		2005 Sales Tax Bond Capital Projects Fund		Other Governmental Funds		Total Governmental Funds	
<b>Revenues</b>														
Taxes	\$ 564,936	\$ 2,293,243	\$ 1,154,869	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,121	\$ 645,946	\$ 4,175,169	\$ 913,319
Intergovernmental	108,730	16,188	142,455	-	-	-	-	-	-	-	-	-	169,349	169,349
Fines and fees	168,349	-	-	-	-	-	-	-	-	-	-	-	382,805	382,805
Licenses and permits	382,805	-	-	-	-	-	-	-	-	-	-	-	412,909	568,568
Charges for services	68,714	72,830	12,115	-	-	-	-	-	-	-	-	-	17,299	17,299
Investment revenue	60	1,022	1,045	-	-	-	6,166	-	3,076	-	5,930	-	106,268	106,268
Other	104,251	1,450	-	-	-	-	-	-	-	-	565	-	106,268	106,268
<b>Total Revenues</b>	<b>1,408,845</b>	<b>2,384,733</b>	<b>1,310,484</b>	<b>-</b>	<b>1,310,484</b>	<b>-</b>	<b>6,166</b>	<b>-</b>	<b>3,076</b>	<b>-</b>	<b>1,227,471</b>	<b>-</b>	<b>6,340,775</b>	<b>6,340,775</b>
<b>Expenditures</b>														
<b>Current</b>														
General government	718,047	43,165	-	-	-	-	-	-	-	-	-	-	761,212	761,212
Public safety	62,036	17,909	2,366,138	-	-	-	-	-	-	-	425,633	-	2,871,716	2,871,716
Public works	898,042	-	-	-	-	-	-	-	2,871	-	7,625	-	908,538	908,538
Economic development	120,727	-	-	-	-	-	-	-	-	-	84	-	120,811	120,811
Culture and recreation	-	295,322	-	-	-	-	-	-	-	-	-	-	295,322	295,322
Capital outlay	3,000	15,599	680,134	-	-	-	1,476,593	-	118,494	-	693,633	-	2,987,453	2,987,453
Debt service														
Principal	43,040	-	69,164	-	-	-	-	-	-	-	355,000	-	467,204	467,204
Interest and other charges	6,223	-	4,489	-	-	-	-	-	34,944	-	108,129	-	153,785	153,785
<b>Total Expenditures</b>	<b>1,851,115</b>	<b>371,995</b>	<b>3,119,925</b>	<b>-</b>	<b>3,119,925</b>	<b>-</b>	<b>1,476,593</b>	<b>-</b>	<b>156,309</b>	<b>-</b>	<b>1,590,104</b>	<b>-</b>	<b>8,566,041</b>	<b>8,566,041</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(442,270)</b>	<b>2,012,738</b>	<b>(1,809,441)</b>	<b>(1,470,427)</b>	<b>(1,809,441)</b>	<b>(1,470,427)</b>	<b>(153,233)</b>	<b>(362,833)</b>	<b>(153,233)</b>	<b>(362,833)</b>	<b>(362,833)</b>	<b>(362,833)</b>	<b>(2,225,266)</b>	<b>(2,225,266)</b>
<b>Other Financing Sources (Uses)</b>														
Transfers in	442,696	-	1,121,000	-	-	-	-	-	-	-	386,762	-	1,950,458	1,950,458
Transfers (out)	(87,747)	(1,850,448)	-	-	-	-	-	-	-	-	(6,083)	-	(1,944,278)	(1,944,278)
Proceeds from capital debt	-	-	650,000	-	-	-	-	-	2,500,000	-	-	-	3,150,000	3,150,000
<b>Total Other Financing Sources (Uses)</b>	<b>354,949</b>	<b>(1,850,448)</b>	<b>1,771,000</b>	<b>(38,441)</b>	<b>(38,441)</b>	<b>(38,441)</b>	<b>(1,470,427)</b>	<b>(1,470,427)</b>	<b>2,346,767</b>	<b>(153,233)</b>	<b>380,679</b>	<b>18,046</b>	<b>3,156,180</b>	<b>3,156,180</b>
<b>Net Change in Fund Balances</b>	<b>(87,321)</b>	<b>162,290</b>	<b>(38,441)</b>	<b>(1,470,427)</b>	<b>(38,441)</b>	<b>(38,441)</b>	<b>(1,470,427)</b>	<b>(1,470,427)</b>	<b>2,346,767</b>	<b>(153,233)</b>	<b>18,046</b>	<b>865,399</b>	<b>930,914</b>	<b>930,914</b>
<b>Fund Balances, Beginning of Year</b>	<b>87,321</b>	<b>519,151</b>	<b>240,194</b>	<b>1,776,393</b>	<b>240,194</b>	<b>240,194</b>	<b>1,776,393</b>	<b>1,776,393</b>	<b>-</b>	<b>-</b>	<b>865,399</b>	<b>865,399</b>	<b>3,498,458</b>	<b>3,498,458</b>
<b>Fund Balances, End of Year</b>	<b>-</b>	<b>\$ 681,441</b>	<b>\$ 201,753</b>	<b>\$ 305,966</b>	<b>\$ 201,753</b>	<b>\$ 201,753</b>	<b>\$ 305,966</b>	<b>\$ 305,966</b>	<b>\$ 2,346,767</b>	<b>\$ 883,445</b>	<b>\$ 883,445</b>	<b>\$ 883,445</b>	<b>\$ 4,419,372</b>	<b>\$ 4,419,372</b>

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

**City of Leesville, Louisiana**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2005**

Exhibit F

**Net Change in Fund Balances - Total Governmental Funds** **\$ 930,914**

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

*Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.*

Capital outlays reported in the funds	2,987,453
Depreciation reported in the Statement of Activities	(972,589)

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities. (3,150,000)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Activities. 467,204

An internal service fund is used by management to charge the costs of certain employee benefits to individual funds. The net revenues (expenses) of the internal service fund are included in governmental activities in the Statement of Activities. (11,347)

Certain timing differences exist between the recognition of revenue and expenditures in the governmental funds and the recognition of revenues and expenses in the Statement of Activities.

Insurance expense	(39,383)
Interest expense	(50,453)
Compensated absences	(36,160)

**Change in Net Assets of Governmental Activities** **\$ 125,639**

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

**City of Leesville, Louisiana**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

Exhibit G

	Enterprise Funds			Internal Service Fund
	Sewer System Fund	Water System Fund	Total	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ -	\$ 460,568	\$ 460,568	\$ 3,043
Receivables - net	88,478	155,166	243,644	19,744
Due from other governments	-	59,052	59,052	-
Due from other funds	-	2,624	2,624	-
<b>Total Current Assets</b>	<b>88,478</b>	<b>677,410</b>	<b>765,888</b>	<b>22,787</b>
<b>Noncurrent assets</b>				
Restricted cash and cash equivalents	365,030	66,738	431,768	-
<b>Capital assets</b>				
Property, plant, and equipment	10,895,131	7,634,974	18,530,105	-
Less accumulated depreciation	(3,384,337)	(4,140,233)	(7,504,570)	-
Deferred bond issuance costs	28,276	9,831	38,107	-
<b>Total Noncurrent Assets</b>	<b>7,924,100</b>	<b>3,571,310</b>	<b>11,495,410</b>	<b>-</b>
<b>Total Assets</b>	<b>8,012,578</b>	<b>4,248,720</b>	<b>12,261,298</b>	<b>22,787</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Bank overdraft	391,072	-	391,072	-
Accounts payable	36,072	92,515	128,587	48,199
Due to other funds	892	95,000	95,892	-
Accrued expenses/other current liabilities	-	597	597	-
General obligation bonds and revenue bonds	4,630	45,572	50,202	-
<b>Totals</b>	<b>432,666</b>	<b>233,684</b>	<b>666,350</b>	<b>48,199</b>
<b>Liabilities Payable from Restricted Assets</b>				
Interest	32,716	4,883	37,599	-
General obligation bonds and revenue bonds	265,370	52,428	317,798	-
<b>Totals</b>	<b>298,086</b>	<b>57,311</b>	<b>355,397</b>	<b>-</b>
<b>Noncurrent Liabilities</b>				
Customer guaranteed deposits	-	209,773	209,773	-
Compensated absences payable	9,230	24,039	33,269	-
General obligation bonds	2,560,000	-	2,560,000	-
General obligation refunding bonds	235,000	-	235,000	-
Revenue bonds	-	154,000	154,000	-
Notes payable	-	341,513	341,513	-
<b>Total Noncurrent Liabilities</b>	<b>2,804,230</b>	<b>729,325</b>	<b>3,533,555</b>	<b>-</b>
<b>Total Liabilities</b>	<b>3,534,982</b>	<b>1,020,320</b>	<b>4,555,302</b>	<b>48,199</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	4,465,794	2,901,228	7,367,022	-
<b>Restricted for</b>				
Construction	59,610	-	59,610	-
Capital additions and contingencies	7,334	9,427	16,761	-
Unrestricted	(55,142)	317,745	262,603	(25,412)
<b>Total Net Assets (Deficit)</b>	<b>\$ 4,477,596</b>	<b>\$ 3,228,400</b>	<b>\$ 7,705,996</b>	<b>\$ (25,412)</b>

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

**City of Leesville, Louisiana**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2005**

Exhibit H

	Enterprise Funds			Internal Service Fund
	Sewer System Fund	Water System Fund	Total	
<b>Operating Revenues</b>				
Charges for sales and services	\$ 469,161	\$ 1,035,838	\$ 1,504,999	\$ 490,052
Other	-	-	-	27,200
<b>Total Operating Revenues</b>	<u>469,161</u>	<u>1,035,838</u>	<u>1,504,999</u>	<u>517,252</u>
<b>Operating Expenses</b>				
Salaries	136,683	240,874	377,557	-
Employee benefits	18,180	28,295	46,475	-
Office expense	-	6,150	6,150	-
Supplies	68,800	98,600	167,400	-
Vehicle expense	8,268	8,547	16,815	-
Utilities/communications	95,579	87,929	183,508	-
Insurance	44,194	82,044	126,238	112,029
Claims incurred	-	-	-	384,618
Legal and other professional	5,000	5,000	10,000	-
Repairs and maintenance	1,787	13,243	15,030	-
Depreciation	243,820	278,362	522,182	-
Amortization	5,065	-	5,065	-
Other expenses	36,683	70	36,753	31,959
<b>Total Operating Expenses</b>	<u>664,059</u>	<u>849,114</u>	<u>1,513,173</u>	<u>528,606</u>
<b>Operating Income (Loss)</b>	(194,898)	186,724	(8,174)	(11,354)
<b>Nonoperating Revenue (Expenses)</b>				
Investment revenue	1,750	268	2,018	8
Ad valorem taxes	361,721	-	361,721	-
Interest expense and fiscal charges	(99,762)	(32,369)	(132,131)	-
<b>Total Nonoperating Revenue (Expenses)</b>	<u>263,709</u>	<u>(32,101)</u>	<u>231,608</u>	<u>8</u>
<b>Income (Loss) Before Contributions and Transfers</b>	68,811	154,623	223,434	(11,346)
<b>Capital Contributions</b>	-	205,271	205,271	-
<b>Transfers In (Out)</b>				
Transfers in	-	83	83	-
Transfers (out)	(6,263)	-	(6,263)	-
<b>Total Transfers In (Out)</b>	<u>(6,263)</u>	<u>83</u>	<u>(6,180)</u>	<u>-</u>
<b>Change in Net Assets</b>	62,548	359,977	422,525	(11,346)
<b>Net Assets, Beginning of Year</b>	4,415,048	2,868,423	7,283,471	(14,066)
<b>Net Assets, End of Year</b>	<u>\$ 4,477,596</u>	<u>\$ 3,228,400</u>	<u>\$ 7,705,996</u>	<u>\$ (25,412)</u>

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

**City of Leesville, Louisiana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2005**

Exhibit I  
(Continued)

	Enterprise Funds			Internal Service Fund
	Sewer System Fund	Water System Fund	Total	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 470,569	\$ 1,040,901	\$ 1,511,470	\$ -
Other receipts	-	-	-	231,580
Internal activity - receipts from other funds	-	-	-	452,827
Payments to employees	(131,440)	(232,435)	(363,875)	-
Payments to vendors and others	(241,348)	(366,975)	(608,321)	(507,475)
Internal activity - payments to other funds	(22,092)	(90,028)	(112,120)	-
Net Cash Provided (Used) by Operating Activities	75,691	351,463	427,154	176,912
<b>Cash Flows from Noncapital Financing Activities</b>				
Net change in bank overdraft	(25,242)	-	(25,242)	(173,877)
Transfers from (to) other funds	(6,263)	83	(6,180)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(31,505)	83	(31,422)	(173,877)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Ad valorem taxes for capital debt service	361,721	-	361,721	-
Proceeds from capital debt	-	269,728	269,728	-
Capital contributions	-	146,219	146,219	-
Purchase or construction of capital assets	(6,590)	(321,784)	(328,374)	-
Principal paid on capital debt	(270,000)	(92,000)	(362,000)	-
Interest paid on capital debt	(102,135)	(26,430)	(128,565)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(17,004)	(24,269)	(41,273)	-
<b>Cash Flows from Investing Activities</b>				
Interest received on operating funds	1,750	268	2,018	8
Net change in restricted cash	(28,932)	(42,120)	(71,052)	-
Net Cash Provided (Used) by Investing Activities	(27,182)	(41,852)	(69,034)	8
<b>Net Increase (Decrease) Cash and Cash Equivalents</b>	-	285,425	285,425	3,043
<b>Cash and Cash Equivalents, Beginning of Year</b>	-	175,143	175,143	-
<b>Cash and Cash Equivalents, End of Year</b>	\$ -	\$ 460,568	\$ 460,568	\$ 3,043

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

City of Leesville, Louisiana  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2005

Exhibit I  
(Concluded)

	Enterprise Funds			Internal Service Fund
	Sewer System Fund	Water System Fund	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ (194,898)	\$ 186,724	\$ (8,174)	(11,354)
Adjustments to reconcile operating income (loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation and amortization	248,885	278,382	527,247	-
Changes in assets and liabilities				
Receivables	1,408	(16,964)	(15,556)	167,135
Due from other funds	-	(2,842)	(2,842)	21,131
Accounts payable	15,230	(122,378)	(107,148)	-
Accrued expenses	-	(1,905)	(1,905)	-
Due to other funds	(177)	-	(177)	-
Customer guaranteed deposits	-	22,027	22,027	-
Compensated absences	5,243	8,439	13,682	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 75,691</b>	<b>\$ 351,463</b>	<b>\$ 427,154</b>	<b>\$ 176,912</b>

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

**Notes to Financial Statements**

**City of Leesville, Louisiana**  
**June 30, 2005**

**Notes to Financial Statements**

**1. Organization and Significant Accounting Policies**

The City of Leesville, Louisiana, (City) was incorporated by proclamation of the governor on February 15, 1900. The City operates under a council-administrator form of government.

The accompanying financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GAAP includes all relevant GASB pronouncements. In the Government-Wide Financial Statements and the Fund Financial Statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The accounting and reporting framework and the more significant of the City's accounting policies are described below.

**A. The Financial Reporting Entity**

As mentioned above, the City of Leesville, Louisiana, is a municipal corporation governed by an elected seven-member board. The accompanying financial statements present only the data of the primary government.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. These financial statements do not include the data of the component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

**B. Individual Component Units Not Included in this Report**

The City has two component units, which are legally separate from the City. The voters of the City of Leesville elect the City Marshal and the City Judge. This report does not include these component units.

1. The Leesville City Marshal is responsible for enforcing judgments of city court, maintaining order within the city court, and collection of city court fines.
2. The Leesville City Court is responsible for hearing court cases involving violations of city laws and ordinances and for rendering judgments thereon.

Complete financial statements for each of the two component units can be obtained from their respective administrative offices.

**Administrative Offices:**

Leesville City Marshal  
P.O. Box 1486  
Leesville, Louisiana

Leesville City Court  
P.O. Box 1486  
Leesville, Louisiana

**City of Leesville, Louisiana**  
**June 30, 2005**

**Notes to Financial Statements**

**C. Related Organization**

The Leesville Housing Authority: The Authority is accountable to the City since the City Council appoints the Authority's board members. However, since the City does not have the ability to impose its will on the Authority and no financial benefit/burden relationship exists, the City is not considered financially accountable for the Authority. Accordingly, the Authority is not considered part of the City for financial reporting purposes.

**D. Basis of Presentation and Accounting**

The accounting system is organized and operated on the basis of funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's funds are grouped into two broad fund categories and six generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue, debt service and capital projects. Proprietary funds include enterprise funds and internal service funds.

**Government-Wide Financial Statements (GWFS)**

The Government-Wide Financial Statements, "*Statement of Net Assets*" and "*Statement of Activities*", report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The Government-Wide Financial Statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the Government-Wide Financial Statements and the statements for government funds. The primary effect of internal activity has been eliminated from the Government-Wide Financial Statements.

The *Statement of Activities* presents a comparison between expenses (both direct and indirect) and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses are not allocated to governmental activities functions in the *Statement of Activities*. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenue are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

Net assets are reported as restricted when constraints placed on net assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds, debt service funds, and capital project funds with their respective net asset use.

**Fund Financial Statements**

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The *internal service fund is presented in a single column on the face of the proprietary fund statements.*

**Governmental Funds**

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental funds are:

- **General Fund** – This is the City’s primary operating fund. This fund accounts for all financial resources except those required to be accounted for in another fund.
- **Sales Tax Special Revenue Fund** – This fund accounts for the proceeds of a one-percent (1%) City sales and use tax. This sales tax was renewed July 1, 2005 for a period of twenty-five (25) years.
- **Public Safety Special Revenue Fund** – This fund accounts for the proceeds of a one-half of one percent (1/2%) sales and use tax. This sales tax was effective April 1, 2004 for a period of twelve years.
- **2004 Street Improvement Capital Projects Fund** – This fund accounts for the receipt of the proceeds of the Sales Tax Bonds, Series 2004 and subsequent expenditure of the funds.
- **2005 Sales Tax Bond Capital Projects Fund** – This fund accounts for the receipt of the proceeds of the Sales Tax Bond, Series 2005 and subsequent expenditure of the funds.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are recognized when deemed both measurable (the amount of the transaction can be determined) and available (collectible within the current period or within 60 days after year end and available to pay obligations of the current period). This includes property taxes, franchise taxes, sales taxes, grants, interest revenue, and charges for services. Fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash. Reimbursements due for federally and state funded projects are accrued as revenue at the time the expenditures are made, or, when received in advance, deferred until expenditures are made.

**City of Leesville, Louisiana**  
**June 30, 2005**

**Notes to Financial Statements**

**Expenditure Recognition**

The measurement focus on governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**Proprietary Funds**

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled service receivables are recorded at each year-end.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 enterprise funds and internal service fund include charges to customers for sales and services, and employer and employee insurance premiums. Operating expenses for enterprise funds and the internal service fund include the costs of sales and services, administrative expenses, benefits paid and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The major proprietary funds of the City are the Sewer System Fund and the Water System Fund which account for sewer and water services provided to residents of the City and general surrounding areas.

The City maintains one internal service fund, the Employee Benefits Insurance Fund, which is used to account for the provision of hospitalization/health insurance to employees of the City. A defined amount is self insured and provision is made for excess coverage through premiums paid to a third party.

**E. Budgets and Budgetary Accounting**

Annual appropriated operating budgets of proposed expenditures and the means of financing them are adopted for the general, special revenue, and debt service funds. Budgeted amounts are as originally adopted, or as amended from time to time by the Council. Budgets are adopted consistent with accounting principles generally accepted in the United States of America.

**F. Cash and Cash Equivalents**

Cash includes amounts on hand and in demand deposits. For the purpose of the statement of cash flows, management considers all highly liquid investments, if any, with a maturity of three months or less when purchased to be cash equivalents.

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

**G. Internal Balances (Due From/To Other Funds)**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the statement of net assets and as due from/to other funds in the fund financial statements.

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**H. Inventories**

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. All inventories are accounted for in the General Fund as assets when purchased and recorded as expenditures or expenses when consumed. Inventory items consumed by other funds are recorded through the interfund receivable/payable accounts.

**I. Restricted Assets**

Certain proprietary fund assets are classified as restricted assets because their use is limited by applicable bond covenants or by Council action. Various "debt service accounts" segregate resources accumulated for debt service payments of bonds and certificates of indebtedness. "Capital additions and contingencies accounts" are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacement for the water system. These resources may also be used for debt service if funds are not otherwise available. "Construction accounts" are used to report funds received from loan proceeds that are to be used for construction.

**J. Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds.

In the Government-Wide Financial Statements, capital assets, including general capital assets, are capitalized and depreciated on a straight-line basis over their estimated useful lives. Public domain capital assets (infrastructure), which consist of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized. The valuation basis for capital assets is historical cost, or when historical cost is not available, estimated historical cost. Donated capital assets are valued at estimated fair value on the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000 or infrastructure capital assets with a total cost greater than \$250,000.

Capital assets in the proprietary funds are capitalized in the fund which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for general capital assets. Donated assets are capitalized at estimated fair market value on the date donated.

**City of Leesville, Louisiana**  
**June 30, 2005**

**Notes to Financial Statements**

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during the current period.

**K. Bond Issuance Costs**

In governmental funds, bond issuance costs are recognized in the current period. Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond issuance costs for proprietary fund types are recorded as deferred charges.

**L. Compensated Absences**

Vested or accumulated leave is accrued in the period the liability is incurred. Compensated absences expected to be financed from governmental funds are not reported in the balance sheet of the Fund Financial Statements; however, compensated absences are reported in the Statement of Net Assets in the Government-Wide Financial Statements. Vested or accumulated leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer and employee.

**M. Long-term Liabilities**

Long-term liabilities expected to be financed from governmental funds are not reported in the Balance Sheet for the Fund Financial Statements; however, such long-term obligations are reported in the Statement of Net Assets in the Government-Wide Financial Statements. Interest expense on long-term debt is recognized in the Government-Wide Financial Statements as the interest accrues, regardless of when it is due. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**N. Supplemental Wages**

Certain employees of the police and fire departments receive supplemental wages from the State of Louisiana. These supplemental wages are recognized as intergovernmental revenue and public safety expenditures in the Public Safety Special Revenue Fund.

**O. Interfund Transactions**

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

**P. Estimates**

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

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

**2. Cash and Cash Equivalents**

At June 30, 2005, the City's cash and cash equivalents consisted of demand deposits and interest-bearing checking accounts as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Cash and cash equivalents	\$ 4,065,102	\$ 69,496	\$ 4,134,598
Restricted cash and cash equivalents	-	431,768	431,768
	<u>\$ 4,065,102</u>	<u>\$ 501,264</u>	<u>\$ 4,566,366</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the agent bank.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City follows state law requirements for its custodial credit risk policy. As of June 30, 2005, the City's bank balance of \$4,741,266 was not exposed to custodial credit risk in that \$673,927 was insured and \$4,067,339 was collateralized by securities held by pledging banks in the City's name.

**3. Receivables**

Receivables as shown in the Statement of Net Assets, at June 30, 2005, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Accounts			
Uncollected cycle billings	\$ -	\$ 205,445	\$ 205,445
Estimated billings between cycles	-	77,039	77,039
Other	89,859	-	89,859
Sales taxes	349,510	-	349,510
Franchise taxes	65,833	-	65,833
Gross receivables	<u>505,202</u>	<u>282,484</u>	<u>787,686</u>
Allowance for doubtful accounts	<u>-</u>	<u>(38,840)</u>	<u>(38,840)</u>
Net Receivables	<u>\$ 505,202</u>	<u>\$ 243,644</u>	<u>\$ 748,846</u>

Receivables arising from utility services provided to customers consist of uncollected billings rendered customers on monthly cycle billings and estimated services provided customers between billing cycles. The allowance for doubtful accounts represents the estimated uncollectible amounts at June 30, 2005.

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

**4. Due From Other Governments**

At year-end, due from other governments consisted of the following:

Governmental Activities		
State	\$	36,756
Local		33,603
Business-type Activities		
State		<u>59,052</u>
Total	\$	<u>129,411</u>

**5. Due From/To Other Funds and Transfers**

Amounts due from and to other funds as reported in the Fund Financial Statements, at June 30, 2005, consist of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	Sales Tax Special Revenue Fund	\$ 6,523
General Fund	Other Governmental Funds	8
General Fund	Public Safety Fund	9,228
General Fund	Sewer System Fund	892
Sales Tax Special Revenue Fund	Water System Fund	95,000
Other Governmental Funds	Other Governmental Funds	50,000
Water System Fund	General Fund	<u>2,624</u>
		\$ 164,275

These balances represent charges for goods and services between funds. The balances are settled periodically. The amounts here represent activity since the last settlement.

Transfers, for the year ending June 30, 2005, shown in the Fund Financial Statements were as follows:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
General Fund	Sales Tax Special Revenue Fund	\$ 436,696
General Fund	Other Governmental Funds	6,000
Public Safety Special Revenue Fund	Sales Tax Special Revenue Fund	1,121,000
Other Governmental Funds	General Fund	87,747
Other Governmental Funds	Sales Tax Special Revenue Fund	292,752
Other Governmental Funds	Sewer System Fund	6,263
Water System Fund	Other Governmental Funds	<u>83</u>
		\$ 1,950,541

The transfers are movements of money from one fund to another. These can be required by law or merely serve as a means to finance activities in the receiving fund. The transfers are not loans, i.e., the receiving fund does not pay it back.

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

**6. Restricted Assets**

At June 30, 2005, restricted assets of the Water and Sewer System Enterprise Funds consisted of cash and cash equivalents as follows:

	Sewer System	Water System	Total
Construction	\$ 59,610	\$ -	\$ 59,610
Ad valorem bonds debt service	265,418	-	265,418
General obligation bonds debt service	32,668	-	32,668
Revenue bonds debt service	-	57,311	57,311
Capital additions and contingencies	7,334	9,427	16,761
	<u>\$ 365,030</u>	<u>\$ 66,738</u>	<u>\$ 431,768</u>

**7. Capital Assets and Depreciation**

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
<b>Governmental Activities</b>				
Assets not being depreciated				
Land and land improvements	\$ 228,856	\$ 50,000	\$ -	\$ 278,856
Construction in progress	<u>228,856</u>	<u>1,476,593</u>	<u>-</u>	<u>1,476,593</u>
Total Assets not Being Depreciated	228,856	1,526,593	-	1,755,449
Other capital assets				
Buildings and improvements	10,047,161	5,220	-	10,052,381
Equipment and vehicles	3,284,411	851,506	-	4,135,917
Infrastructure	<u>16,583,497</u>	<u>604,133</u>	<u>-</u>	<u>17,187,630</u>
Total Other Capital Assets	29,915,069	1,460,859	-	31,375,928
Accumulated depreciation				
Buildings and improvements	(2,213,060)	(239,448)	-	(2,452,508)
Equipment and vehicles	(2,717,193)	(497,312)	-	(3,214,505)
Infrastructure	<u>(12,801,727)</u>	<u>(235,828)</u>	<u>-</u>	<u>(13,037,555)</u>
Total Accumulated Depreciation	(17,731,980)	(972,588)	-	(18,704,568)
Other Capital Assets, Net	<u>12,183,089</u>	<u>488,271</u>	<u>-</u>	<u>12,671,360</u>
Capital Assets, Net	\$ 12,411,945	\$ 2,014,864	\$ -	\$ 14,426,809

Depreciation was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 19,406
Public safety	438,553
Public works	40,007
Culture and recreation	70,393
Economic development	<u>404,229</u>
Total Depreciation Expense for Governmental Activities	\$ 972,588

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Equipment and vehicles	5 - 15 years
Infrastructure	20 - 40 years

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
<b>Business-type Activities</b>				
Assets not being depreciated				
Land	\$ 157,249	\$ -	\$ -	\$ 157,249
Construction in progress	<u>344,340</u>	<u>400,040</u>	<u>(283,051)</u>	<u>461,329</u>
Total Assets not Being Depreciated	501,589	400,040	(283,051)	618,578
Other capital assets				
Plant and system	16,982,161	283,051	-	17,265,212
Equipment and vehicles	<u>639,725</u>	<u>6,590</u>	<u>-</u>	<u>646,315</u>
Total Other Capital Assets	17,621,886	289,641	-	17,911,527
Accumulated depreciation				
Plant and system	(6,399,122)	(492,430)	-	(6,891,552)
Equipment and vehicles	<u>(583,266)</u>	<u>(29,752)</u>	<u>-</u>	<u>(613,018)</u>
Total Accumulated Depreciation	<u>(6,982,388)</u>	<u>(522,182)</u>	<u>-</u>	<u>(7,504,570)</u>
Other Capital Assets, Net	<u>10,639,498</u>	<u>(232,541)</u>	<u>-</u>	<u>10,406,957</u>
<b>Capital Assets, Net</b>	<b>\$ 11,141,087</b>	<b>\$ 167,499</b>	<b>\$ (283,051)</b>	<b>\$ 11,025,535</b>

Depreciation was charged to functions as follows:

<b>Business-type Activities</b>	
Sewer	\$ 243,820
Water	<u>278,362</u>
Total Depreciation Expense for Business-type Activities	<u>\$ 522,182</u>

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Production and distribution systems	25 - 50 years
Buildings and improvements	10 - 25 years
Equipment and vehicles	3 - 8 years

**8. Risk Management**

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance as set forth in the following table. Settled claims did not exceed this commercial coverage for the fiscal year ended June 30, 2005.

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

	<u>Limits of Coverage</u>
Workmen's compensation	Statutory
Auto liability	\$ 500,000
Commercial general liability	500,000
Public officials' errors and omissions liability (deductible \$5,000)	500,000
Law enforcement officers' liability (deductible \$5,000)	500,000
Airport liability	
Sale of aircraft fuel and oil products	22,000
Premises medical – per person	1,000
Fire damage per occurrence	50,000
Hanger keepers per aircraft (deductible \$2,500)	200,000
Hanger keepers per occurrence (deductible \$2,500)	500,000
City-owned buildings and equipment - fire, lightning, and extended coverage (deductible \$1,000)	6,624,479
City owned computers and scheduled equipment (deductible \$500)	299,611
Wastewater treatment plant – fire, lightning, and extended coverage	1,636,000
Mobile home and adjacent structures – comprehensive (deductible \$250)	9,500

The City covers all other losses, claim settlements, and judgments from General Fund resources. The City currently reports all of its risk management activities in its General Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The City is party to legal proceedings involving suits filed against the City for various reasons. Some of these suits claim damages that are material in amount. The amount of losses, if any, that may arise from these suits cannot be reasonably estimated. Management does not believe that the City is exposed to any material losses not covered by insurance. No provision for losses is included in the financial statements.

**9. Employee Benefits Insurance**

The City maintains an internal service fund to finance employee hospitalization/health insurance. Resources accumulated for health coverage in the trust are accounted for in the Employee Benefits Insurance Fund (an internal service fund). Under this program, the Employee Benefits Internal Service Fund normally provides coverage for a maximum of \$15,000 for each covered employee's (and dependent's, if applicable) qualifying health claims. The Fund maintains an aggregate retained loss per plan month. The Fund purchases commercial insurance for health claims in excess of coverage provided. Under the terms of the agreement, the net assets of the Fund may only be used to provide employee benefits.

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

All funds of the City and covered employees participate in the program and make payments to the Employee Benefits Insurance Fund. The claims liability of \$48,199 reported in the Fund at June 30, 2005, is based upon GAAP, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in the fiscal year ending June 30, 2005, were as follows:

Balance, beginning of year	\$ 27,068
Current year claims	405,749
Claim payments	<u>(384,618)</u>
Balance, end of year	\$ 48,199

**10. Long-term Liabilities**

Governmental activities long-term liabilities are direct obligations and pledge the full faith and credit of the City. The City has incurred these liabilities to provide funds for the acquisition and construction of major capital additions, or to refund general obligation liabilities previously issued for these purposes. In addition, the City's obligation relative to the governmental funds' liability for compensated absences is reported as a governmental activities long-term liability.

The City has issued two types of revenue bonds. The first type is utility revenue bonds whereby the City pledges income derived from the acquired or constructed assets to pay debt service. This long-term debt is reported in the business-type activities. The second type is sales tax revenue bonds whereby the City has pledged revenue from specifically dedicated sales tax collections to pay debt service and is reported as governmental activities long-term liabilities.

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

A summary of long-term debt, as of June 30, 2005, follows:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>
<b>Governmental activities</b>				
<b>General obligation</b>				
Sales tax revenue bonds				
Refunding Bonds, Series ST-2002	08/01/2005	0.10-4.50%	\$	\$ 240,000
Public Improv. Bonds, Series 2005	08/01/2020	3.10-4.25%		2,500,000
General obligation bonds				
Refunding Bonds, Series 2002A	08/01/2012	4.95%		215,000
Refunding Bonds, Series 2002B	08/01/2012	0.10-6.50%		315,000
General Obligation, Series 2004	03/01/2019	4.40-3.63%		1,715,000
Compensated absences				191,740
Capitalized leases				
Fire Equipment (2005)	08/16/2014	4.70%		650,000
Police Equipment (2004)	07/18/2006	4.00%		61,089
Public Works Department Equipment (2003)	11/10/2009	4.25%		131,913
Notes payable				
Economic Development (2002)	06/30/2006	None		16,426
<b>Business-type activities</b>				
<b>Enterprise Funds</b>				
Utilities System Revenue Bonds				
1998 refunding	04/01/2008	7.25-7.75%	252,000	
Notes payable				
Utility Relocation	Open Ended	None	341,513	
General obligation bonds				
Sewer System Improvements	03/15/2015	2.95%	2,800,000	
Refunding Bonds, Series 2002C	08/01/2012	0.10-5.50%	265,000	
Customer guaranteed deposits			209,773	
Compensated absences			33,269	
Totals			3,901,555	6,036,168
Current portion			(368,000)	(612,677)
Totals			\$ 3,533,555	\$ 5,423,491

During the year ended June 30, 2005, the following changes occurred in governmental activities long-term liabilities:

	<u>Balance 07/01/04</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 06/30/05</u>
<b>Governmental Activities Long-Term Debt</b>				
Sales tax revenue bonds	\$ 460,000	\$ 2,500,000	\$ (220,000)	\$ 2,740,000
General obligations	2,380,000	-	(135,000)	2,245,000
Compensated absences - net	155,580	36,160	-	191,740
Capitalized leases	288,758	650,000	(95,756)	843,002
Notes payable	32,874	-	(16,448)	16,426
Totals	\$ 3,317,212	\$ 3,186,160	\$ (467,204)	\$ 6,036,168

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

	<u>Balance 06/30/05</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
<b>Governmental Activities Long-Term Debt</b>			
Sales tax revenue bonds	\$ 2,740,000	\$ 315,000	\$ 2,425,000
General obligations	2,245,000	140,000	2,105,000
Compensated absences - net	191,740	-	191,740
Capitalized leases	843,002	141,251	701,751
Notes payable	16,426	16,426	-
Totals	<u>\$ 6,036,168</u>	<u>\$ 612,677</u>	<u>\$ 5,423,491</u>

The annual requirements to amortize outstanding governmental activities long-term debt excluding compensated absences are as follows:

<u>Year ended June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2006	\$ 612,677	\$ 274,328	\$ 887,005
2007	358,827	214,865	573,692
2008	372,661	199,784	572,445
2009	396,608	183,497	580,105
2010	396,487	166,118	562,605
2011-2021	<u>3,707,168</u>	<u>764,667</u>	<u>4,471,835</u>
	<u>\$ 5,844,428</u>	<u>\$ 1,803,259</u>	<u>\$ 7,647,687</u>

During the year ended June 30, 2005, the following changes occurred in business-type activities long-term liabilities:

	<u>Balance 07/01/04</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 06/30/05</u>
<b>Business-type Activities Long-Term Debt</b>				
Revenue bonds	\$ 344,000	\$ -	\$ (92,000)	\$ 252,000
Notes payable	71,787	269,726	-	341,513
General obligations	3,335,000	-	(270,000)	3,065,000
Compensated absences - net	19,588	13,681	-	33,269
Customer guaranteed deposits - net	187,746	22,027	-	209,773
Totals	<u>\$ 3,958,121</u>	<u>\$ 305,434</u>	<u>\$ (362,000)</u>	<u>\$ 3,901,555</u>

	<u>Balance 06/30/05</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
<b>Business-type Activities Long-Term Debt</b>	<u>\$ 3,901,555</u>	<u>\$ 368,000</u>	<u>\$ 3,533,555</u>

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

The annual requirements to amortize outstanding business-type activities long-term debt excluding customer guaranteed deposits, notes payables, and compensated absences are as follows:

<u>Year ended June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2006	\$ 368,000	\$ 114,098	\$ 482,098
2007	385,000	98,440	483,440
2008	339,000	81,817	420,817
2009	305,000	68,962	373,962
2010	310,000	59,385	369,385
2011-2015	<u>1,610,000</u>	<u>145,050</u>	<u>1,755,050</u>
	\$ 3,317,000	\$ 567,752	\$ 3,884,752

**Business-type Activities Note Payable:** On July 23, 2003, the City entered into an agreement with the Louisiana Department of Transportation and Development for utility relocation assistance funding. Issuance of future permits to the City by the Louisiana Department of Transportation and Development for location of additional longitudinal facilities within any state owned right of way is contingent upon repayment of this funding. The City must show a good faith effort to repay the debt by making annual payments to the Department of Transportation and Development of 5% of its gross income or 10% of its outstanding utility relocation assistance funding debt. The first payment must be made within one year of the date of invoicing of the City by the Department of Transportation and Development, and issuance of permits will remain suspended until the first payment is made. The City's payments are due by January 15 of each year. As of June 30, 2005, the City incurred \$341,513 in funding from this agreement. The relocation project was not finalized and invoicing to the City by the Department of Transportation had not occurred as of June 30, 2005.

**General Obligation Bonds, Series 1995 of the City of Leesville and General Obligation Bonds, Series 1995, of Sewer District No. 3 of the City of Leesville:** The material provisions of these bond covenants are as follows:

1. In compliance with the special election held on November 8, 1994, the City shall levy and collect annually ad valorem taxes in an amount sufficient to pay, when due, principal and interest on the bonds. The tax shall be expended only for the purpose of paying promptly when due the principal and interest on the bonds.
2. The City will, in accordance with prudent wastewater utility treatment practice, (i) at all time operate the properties of its System in an efficient manner, (ii) maintain the System in good repair working order and operating condition, and (iii) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments, and improvements with respect to its System so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.
3. The City will keep accurate records and accounts for the System separate and distinct from its other records and accounts in accordance with generally accepted government accounting standards.

**City of Leesville, Louisiana**  
**June 30, 2005**

**Notes to Financial Statements**

4. The City will establish a user charge system to assure that each recipient of wastewater treatment services will pay a proportionate share of the costs of operation and maintenance, including any necessary replacement of portions of the System.
5. There shall be established a separately identifiable fund or account to be designated the General Obligation Bond Sinking Fund. All monies from the collection of the ad valorem taxes shall be used solely to pay principal of and interest on the bonds.
6. There shall be established a separately identifiable fund or account to be designated the Sewer System Renewal and Replacement Fund. There shall be transferred to this fund, on or before the twentieth (20th) day of each month of each year, beginning no later than the first full month after the loan closing, an amount equal to five percent (5%) of net revenues collected in the prior calendar month until the balance in the renewal and replacement fund equals to \$75,000. All monies in the renewal and replacement fund may be drawn on and used by the System for the purpose of paying the costs of any unusual and extraordinary maintenance and any improvements to the System, which will either enhance its revenue producing capacity or provide a higher degree of service.

**Violation of General Obligation Bonds, Series 1995 of the City of Leesville and General Obligation Bonds, Series 1995, of Sewer District No. 3 of the City of Leesville Covenants:**

1. Funds were not transferred to the Sewer System Renewal and Replacement Fund in accordance with the agreement. At year-end, cumulative additions to the reserve were approximately \$51,007 less than the amount required by the bond indentures.

**Water System Refunding Series 1998 Bonds:** The material provisions of water system refunding bond covenants are as follows:

1. The City will establish a rate structure sufficient to pay the necessary operating expenses, principal, and interest on the bonds. Revenues after paying operating expenses must be at least 120% of the largest amount of principal and interest maturing in any future fiscal year.
2. The City will transfer monthly to a debt service sinking fund one - sixth (1/6) of the next interest payment due and one - twelfth (1/12) of the next principal payment due.
3. The City will transfer monthly to the contingency fund an amount equal to five percent of the amount transferred to the sinking fund. Monies in this fund may be used for extensions, additions, improvements and replacements, and to pay principal and interest if funds are not otherwise available.
4. After funding necessary operations, sinking fund requirements, and contingency fund requirements, any remaining funds may be used for any lawful purpose of the City.

**Violations of the Water System Refunding Bonds, Series 1998 Covenants:**

1. Monthly sinking fund transfers were not made as required by the agreement for July 2004 through December 2004 and June 2005. In February 2005, a \$60,000 transfer was made to the sinking fund causing the account balance to be in excess of the required balance. At June 30, 2005, the sinking fund remained in excess of the required balance.

**City of Leesville, Louisiana**  
**June 30, 2005**

**Notes to Financial Statements**

2. Monthly transfers were not made to the contingency fund as required by the agreement. At June 30, 2005, a deficit of \$6,427 existed in the contingency fund.

**Sales Tax Revenue Refunding, Series ST-2002 Bonds:** The material provisions of sales tax revenue refunding bond covenants are as follows:

1. The bonds and interest thereon are payable from the pledge and dedication of the City's one-percent (1%) sales tax.
2. The City will transfer monthly to a debt service sinking fund one - sixth (1/6) of the next interest payment due and one - twelfth (1/12) of the next principal payment due.
3. Parity bonds may be issued if certain conditions are met.

**Violations of Sales Tax Revenue Refunding, Series ST-2002 Bond Covenants:**

1. Monthly transfers to the sinking fund as required by the covenants were not made. Periodic transfers were made to the sinking fund. At June 30, 2005, the sinking fund was in excess of the required balance.

**Sales Tax Revenue Public Improvement, Series 2005 Bonds:** The material provisions of sales tax revenue public improvement bond covenants are as follows:

1. The City will maintain a sales tax bond sinking fund sufficient in amount to pay promptly and fully the principal of and interest on the bonds by transferring from the sales tax fund monthly payments on or before the 20<sup>th</sup> day of each month commencing August 2005 a sum equal to one-sixth (1/6) of the next interest payment due and one-twelfth (1/12) of the next principal payment due.
2. The City will establish a sales tax bond reserve fund by transferring, immediately upon delivery of the bonds from bond proceeds, a sum equal to the lesser of (1) 10% of the original principal proceeds of the bonds or (2) the highest combined principal and interest requirements for any succeeding bond year on the bonds.

**Violations of Sales Tax Revenue Public Improvement, Series 2005 Bond Covenants:**

1. The City's sales tax bond reserve fund was not established at the required amount immediately upon delivery of the bonds from bond proceeds. Periodic deposits were made to the account during the fiscal year; however, at June 30, 2005 a deficit of \$201,130 existed in the sales tax bond reserve fund.

**City of Leesville, Louisiana**  
**June 30, 2005**

**Notes to Financial Statements**

**11. Supplemental Pay**

Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$102,580 is recognized as intergovernmental revenue and expenditures in the following public safety departments:

Police	\$ 62,980
Fire	<u>39,600</u>
	\$ 102,580

**12. Dedication of Proceeds - Flow of Funds - City Sales and Use Tax**

Beginning April 1, 2004, the City was authorized to levy and collect a one-half of one percent (1/2%) sales and use tax for a period of twelve years. Proceeds of the 2005 one-half of one percent (1/2%) City's sales and use tax are dedicated and used solely for the purpose of improving, operating, and maintaining the public safety services within the City of Leesville, specifically:

- a. To provide funds to acquire necessary police and fire protection equipment and other facilities so as to increase the level of services and protection in the City.
- b. To provide funds for salary increases for police and fire departments personnel, including benefits, so as to maintain a consistent level of experience and training within said departments.

On September 18, 2004 a special election was held whereby a one percent (1%) sales and use tax was renewed effective July 1, 2005 for a period of twenty-five (25) years. The revenues from this sales tax are to be dedicated and used in the following order for the purpose of constructing, improving, extending, and maintaining (1) streets, sidewalks, bridges, drains, subsurface drainage, sewers and sewerage disposal works, (2) fire department stations and facilities, and (3) public parks and recreational facilities, and purchasing and acquiring the necessary land, equipment and furnishings for any of the aforesaid public works, improvements and facilities.

**13. Public Employees' Retirement Systems**

The City contributes to two statewide cost-sharing, multiple-employer, defined benefit public employee retirement systems. These consist of the Municipal Police Employees' Retirement System of Louisiana (MPERS) and the Firefighters' Retirement System (FRS).

**MPERS:** Membership is available for all full-time police officers employed by the City, provided they meet statutory criteria. Any member is eligible for normal retirement benefits after he has been a member of the System for one (1) year, if he has twenty-five (25) years of creditable service at any age, or if he has twenty (20) years of creditable service and is age fifty (50), or has twelve (12) years of creditable service and is age fifty-five (55). Benefit rates are three and one-third percent (3 1/3%) of final compensation per number of years of creditable service not to exceed one hundred percent (100%). State law establishes benefit and contribution requirements. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Police Employees' Retirement System, P. O. Box 94095, Baton Rouge, LA 70804-9095.

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

Members are currently required to contribute seven and one-half percent (7 1/2%) of their annual salary to the system, including supplemental pay. The City contributes an actuarially determined rate, presently set at twenty-one and one-half percent (21 1/2%) of the member's salary, including supplemental pay.

FRS: This Plan is a defined benefit pension plan covering firemen employed by a municipality, parish, or fire protection district of the State hired after December 31, 1979. Employees with twenty (20) or more years of service who have attained age fifty (50), employees who have twelve (12) years of service who have attained age fifty-five (55), or employees who have twenty-five (25) years of service at any age are entitled to annual pension benefits equal to three and one-third percent (3 1/3%) of their average final compensation based on the thirty-six (36) consecutive months of highest pay multiplied by their total years of service, not to exceed one hundred percent (100%). Employees may elect to receive their pension benefits in the form of a joint and survivor annuity. If employees terminate before rendering twelve (12) years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. State law establishes benefit and contribution requirements. FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, LA 70809.

Members are currently required to contribute eight percent (8%) of their annual salary, including supplemental pay to the Plan. The City contributes an actuarially determined rate, presently at twenty-four percent (24%) of the member's salary, including supplemental pay.

Required contributions: The City made the following required contributions to the various pension plans:

<u>Year Ending</u>	<u>MPERS</u>	<u>FRS</u>	<u>Totals</u>
06/30/05	\$ 75,154	\$ 87,171	\$ 162,325
06/30/04	49,810	23,366	73,176
06/30/03	29,748	27,335	57,083
06/30/02	35,640	21,737	57,377

In April 2005, the City was required to make additional contributions to the Firefighters' Retirement System as the result of a lawsuit. The additional contributions totaled \$32,970, which includes interest.

**14. Defined Contribution Plan**

The City sponsors a defined contribution pension plan (the Plan) to provide benefits at retirement to all full-time employees who elect to participate. Public Employees Benefit Services Corporation administers the Plan. At June 30, 2005, there were 22 participants in the Plan. Plan members are required to contribute 6.3% of their covered salary. The City is required to contribute 9% of the participant's covered salary. Plan provisions and contribution requirements are established by and may be amended by the City Council. Participant contributions were \$40,924 for the year ending June 30, 2005. Employer contributions were \$58,726. Participant and employer contributions are recognized in the period that the contributions are due.

**City of Leesville, Louisiana**  
**June 30, 2005**

**Notes to Financial Statements**

**15. Compensation Paid to Mayor and City Council**

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following report reflects compensation paid to members of the City Council, City of Leesville, for the fiscal year ended June 30, 2005.

Mayor James S. Shapkoff, Jr.	\$ 12,000
Council Members	
Steve Kennedy	6,960
Milton D. Dowd	6,960
William M. Elliott	6,670
Patricia Martinez	6,670
Joseph P. McKee	6,960
Alice F. Guess	6,960

**16. Contingencies**

For many years, the City had a verbal understanding with its engineering firm that the firm would accept as payment for services received only those engineering fees approved for payment by the grantor agencies on certain projects. During the year ended June 30, 2001, the engineering firm requested payment of fees totaling approximately \$190,000 in excess of those approved by the grantor agencies on these projects, which were completed from 1997 through 1999. The City has made payment on these fees in prior years. The amount of fees currently owed is \$168,326; however, the ultimate amount, if any, to be paid to the engineering firm cannot be determined at this time.

**17. Concentration of Risk**

The City received 37.09% of its sales tax revenue from one merchant.

**18. Accumulated Deficit - Employee Benefit Insurance Fund**

The City funded the accumulated deficit in the Employee Benefits Insurance Internal Service Fund subsequent to June 30, 2005 with additional employer contributions from the various City departments participating in the internal service fund.

**19. 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 normally on November 15 and are due on December 1. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Vernon Parish.

**City of Leesville, Louisiana  
June 30, 2005**

**Notes to Financial Statements**

For the year ended June 30, 2005, taxes of 22.77 mills were levied on property with assessed values totaling \$29,954,020 and were dedicated as follows:

General maintenance purposes	5.16 mills
Street improvements	5.45 mills
Debt service	12.16 mills

Total taxes levied were \$677,626. Substantially all ad valorem taxes were collected prior to the end of the current fiscal year, except for adjudications, which are considered not collectable, and, therefore, are not recorded as a receivable at year-end.

**20. Other**

**GASB 45 Implementation**

In June 2004, The Governmental Accounting Standards Board (GASB) approved Statement No. 45, Accounting and Financial Reporting by Employers for Postretirement Benefits other than Pensions. This new pronouncement provides guidance for local governments in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions).

Government-Wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The new pronouncement will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the life of the employee, rather than at the time the health care premiums are paid. Annually, the unfunded actuarial accrued liability will be reported in the government-wide financial statements. However, the UAAL will not be reported in the individual fund statements that use the modified accrual basis of accounting.

The City will implement the provisions of GASB Statement No. 45 along with the required note disclosures for the fiscal year beginning July 1, 2009.

**Required Supplemental Information-Part II**

**City of Leesville, Louisiana  
General Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2005**

Schedule 1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 543,700	\$ 591,000	\$ 564,936	\$ (26,064)
Intergovernmental	163,385	79,175	108,730	29,555
Fees, commissions, and fines	150,000	154,000	169,349	15,349
Licenses and permits	338,700	394,000	392,805	(1,195)
Charges for services	91,500	79,150	68,714	(10,436)
Investment earnings	-	60	60	-
Miscellaneous	82,500	111,426	104,251	(7,175)
Total Revenues	<u>1,369,785</u>	<u>1,408,811</u>	<u>1,408,845</u>	<u>34</u>
<b>Expenditures</b>				
Current				
General government	620,732	716,498	718,047	(1,549)
Public safety	61,745	61,776	62,036	(260)
Public works	829,100	874,385	898,042	(23,657)
Economic development	130,695	110,446	120,727	(10,281)
Capital outlay	32,815	32,815	3,000	29,815
Debt service				
Principal	16,450	16,450	43,040	(26,590)
Interest and other charges	-	-	6,223	(6,223)
Total Expenditures	<u>1,691,537</u>	<u>1,812,370</u>	<u>1,851,115</u>	<u>(38,745)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(321,752)</u>	<u>(403,559)</u>	<u>(442,270)</u>	<u>(38,711)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	406,000	441,000	442,696	1,696
Transfers out	(79,560)	(86,715)	(87,747)	(1,032)
Total Other Financing Sources and Uses	<u>326,440</u>	<u>354,285</u>	<u>354,949</u>	<u>664</u>
<b>Net Change in Fund Balances</b>	4,688	(49,274)	(87,321)	(38,047)
<b>Fund Balances, Beginning of Year</b>	<u>87,321</u>	<u>87,321</u>	<u>87,321</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 92,009</u>	<u>\$ 38,047</u>	<u>\$ -</u>	<u>\$ (38,047)</u>

See independent auditor's report.

**City of Leesville, Louisiana  
Sales Tax Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>			<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Taxes	\$ 2,160,000	\$ 2,299,251	\$ 2,293,243	\$ (6,008)	
Intergovernmental	-	12,585	16,188	3,603	
Charges for services	55,000	72,668	72,830	162	
Investment revenue	450	1,021	1,022	1	
Other	1,625	1,450	1,450	-	
Total Revenues	<u>2,217,075</u>	<u>2,386,975</u>	<u>2,384,733</u>	<u>(2,242)</u>	
<b>Expenditures</b>					
Current					
General government	54,075	43,166	43,165	1	
Public safety	-	14,779	17,909	(3,130)	
Culture and recreation	273,304	302,996	295,322	7,674	
Capital outlay	2,170	2,190	15,599	(13,409)	
Total Expenditures	<u>329,549</u>	<u>363,131</u>	<u>371,995</u>	<u>(8,664)</u>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	1,887,526	2,023,844	2,012,738	(11,106)	
<b>Other Financing Sources (Uses)</b>					
Transfers (out)	<u>(1,841,000)</u>	<u>(1,844,750)</u>	<u>(1,850,448)</u>	<u>(5,698)</u>	
<b>Net Change in Fund Balances</b>	46,526	179,094	162,290	(16,804)	
<b>Fund Balances, Beginning of Year</b>	<u>519,151</u>	<u>519,151</u>	<u>519,151</u>	<u>-</u>	
<b>Fund Balances, End of Year</b>	<u>\$ 565,677</u>	<u>\$ 698,245</u>	<u>\$ 681,441</u>	<u>\$ (16,804)</u>	

See independent auditor's report.

City of Leesville, Louisiana  
Public Safety Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2005

Schedule 3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,000,000	\$ 1,157,874	\$ 1,154,869	\$ (3,005)
Intergovernmental	127,200	119,289	142,455	23,166
Charges for services	-	33,375	12,115	(21,260)
Investment revenue	500	1,045	1,045	-
<b>Total Revenues</b>	<u>1,127,700</u>	<u>1,311,583</u>	<u>1,310,484</u>	<u>(1,099)</u>
<b>Expenditures</b>				
<b>Current</b>				
Public safety	2,294,450	2,284,738	2,366,138	(81,400)
Capital outlay	105,800	16,815	680,134	(663,319)
<b>Debt service</b>				
Principal	67,200	73,650	69,164	4,486
Interest and other charges	-	-	4,489	(4,489)
<b>Total Expenditures</b>	<u>2,467,450</u>	<u>2,375,203</u>	<u>3,119,925</u>	<u>(744,722)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1,339,750)	(1,063,620)	(1,809,441)	(745,821)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,340,000	1,121,000	1,121,000	-
Proceeds from capital debt	-	-	650,000	650,000
<b>Total Other Financing Sources and Uses</b>	<u>1,340,000</u>	<u>1,121,000</u>	<u>1,771,000</u>	<u>650,000</u>
<b>Net Change in Fund Balances</b>	250	57,380	(38,441)	(95,821)
<b>Fund Balances, Beginning of Year</b>	<u>240,194</u>	<u>240,194</u>	<u>240,194</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 240,444</u>	<u>\$ 297,574</u>	<u>\$ 201,753</u>	<u>\$ (95,821)</u>

See independent auditor's report.

**Supplemental Information**

City of Leesville, Louisiana  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2005

Schedule 4

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grant Number	Award Amount	Amount Expended
<b>U. S. Department of Housing and Urban Development</b>				
<b>Community Planning and Development</b>				
<b>Passed-through the State of Louisiana</b>				
Community Development Block Grants/Entitlement Grants	14.218	592449	\$ 225,000	\$ 115,946
<b>U. S. Department of Justice</b>				
<b>Office of Juvenile Justice and Delinquency Prevention</b>				
<b>Passed-through the State of Louisiana</b>				
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	J03-3-001	4,651	2,816
<b>Bureau of Justice Assistance</b>				
<b>Passed-through the State of Louisiana</b>				
Byrne Formula Grant Program	16.579	B04-3-015	12,000	8,027
Law Enforcement Block Grant program	16.592	Z04-3-013	3,150	3,150
Agency Totals			<u>19,801</u>	<u>13,993</u>
<b>U. S. Department of Transportation</b>				
<b>Federal Aviation Administration</b>				
<b>Direct</b>				
Airport Improvement Program	20.106		550,000	536,465
<b>National Highway Safety Administration</b>				
<b>Passed-through the State of Louisiana</b>				
State and Community Highway Safety	20.600	P3 05-14-07	3,506	1,633
Agency Totals			<u>553,506</u>	<u>538,098</u>
<b>U. S. Department of Health and Human Services</b>				
<b>Administration for Children and Families</b>				
<b>Passed-through BeauCARE, Inc.</b>				
Temporary Assistance for Needy Families	93.558		19,800	16,188
<b>U. S. Department of Homeland Security</b>				
<b>Passed-through Vernon Parish Office of Homeland Security</b>				
State Homeland Security Program	97.073		16,559	16,559
<b>Totals</b>			<u>\$ 834,666</u>	<u>\$ 700,784</u>

**Notes:**

All expenditures on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Note 1 to the financial statements provides additional information relative to the City's accounting policies.

No federal funds were awarded to subrecipients during the year ended June 30, 2005.

See independent auditor's report.

City of Leesville, Louisiana  
 Unaudited Schedule of Insurance in Force  
 June 30, 2005

Insurer	Expiration Date	Coverage	Property Covered	Limits	Schedule 5 (Continued)
Louisiana Municipal Risk Management Agency	5/1/2006	Automobile liability	Owned, hired, & non-owned automobiles BI & PD	\$ 500,000	CSL
	5/1/2006	Commercial general liability	Premises/operations - BI & PD Products/completed operations - BI & PD Medical payments Per person Per accident Fire legal liability per occurrence	500,000 500,000 1,000 10,000 50,000	CSL CSL
	5/1/2006	Law enforcement officers' comprehensive liability	Personal injury and property damage Deductible \$5,000 per occurrence	500,000	CSL
	5/1/2006	Public officials' errors and omissions liability	Errors and omissions Deductible \$5,000 per occurrence	500,000	CSL
Colony Insurance Company	3/31/2006	Fire and extended coverage	Various City-owned buildings and personal property 80% coinsurance Deductible \$1,000 Buildings in aggregate Personal property in aggregate	2,667,200 6,100	
Western Surety Company	7/1/2005 7/1/2005	Public officials	Mayor Director of finance	90,000 100,000	

See independent auditor's report.

**City of Leesville, Louisiana**  
**Unaudited Schedule of Insurance in Force**  
**June 30, 2005**

**Schedule 5**  
**(Continued)**

Insurer	Expiration Date	Coverage	Property Covered	Limits
Allstate	1/16/2006	Fire and extended coverage	Various City-owned buildings and personal property Deductible \$1,000 Buildings in aggregate Personal property in aggregate	\$ 1,314,000 171,000
XL Specialty Insurance Co	7/1/2005	Airport liability	Sale of Aircraft Fuel and Oil Products Premises Medical - per person Fire damage per occurrence Hangerkeepers per aircraft - deductible \$2,500 Hangerkeepers per occurrence - deductible \$2,500 Personal injury Advertising liability	22,000 1,000 50,000 200,000 500,000 1,000,000 1,000,000
Allstate	12/22/2005	Commercial property Wastewater treatment plant	Buildings - deductible \$1,000 Personal property - deductible \$1,000 Aeration basin roaters - deductible \$1,000	75,000 255,000 1,306,000
	2/27/2006	Commercial property	Scheduled computers - deductible \$500 Scheduled equipment - deductible \$500	54,086 140,989
North American Specialty Insurance Company	8/27/2005	Commercial property	Scheduled equipment - deductible \$1000	99,536

See independent auditor's report.

**City of Leesville, Louisiana**  
**Unaudited Schedule of Insurance in Force**  
**June 30, 2005**

Insurer	Expiration Date	Coverage	Property Covered	Limits	Schedule 5 (Continued)
Allstate	7/21/2005	Commercial property	Vernon Parish 911 office Building - deductible \$1,000 Personal property - deductible \$1,000 Property floater - 80% coinsurance Computer coverage - deductible \$250	\$ 50,000 10,000 25,000 5,000	
American Reliable Insurance Company	8/28/2005	Comprehensive mobile home and adjacent structures	Mobile home Deductible \$1,000 - hurricane Deductible \$250 - all other perils	9,500	
Louisiana Workmen's Compensation Corporation	1/1/2006	Worker's compensation	Bodily injury by accident Bodily injury by disease	100,000 500,000	
Essex Insurance Company	5/1/2006	Commercial auto physical damage	Certain automobiles purchased through capital leases Deductible \$500 specified perils Deductible \$500 collision	213,372	
Essex Insurance Company	8/16/2005	Commercial auto physical damage	2003 Ferrara Ladder Fire Truck Deductible \$1,000 specified perils Deductible \$1,000 collision	650,000	
Checkmaster Agency	10/27/2005	Check protector	Liability forgery protection	25,000	

See independent auditor's report.

City of Leesville, Louisiana  
 Unaudited Schedule of Insurance in Force  
 June 30, 2005

Insurer	Expiration Date	Coverage	Property Covered	Limits	Schedule 5 (Concluded)
CNA Surety	12/31/2005	Blanket security bond	Public employees	\$ 5,000	
CNA Surety	12/31/2005	Blanket security bond	Reserve officers	5,000	
Century Surety Company	8/5/2005	Vacant buildings	Industrial park buildings 80% coinsurance Buildings in aggregate	2,381,179	

See independent auditor's report.

**Other Reports Required by  
Government Auditing Standards  
and OMB Circular A-133**

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed  
in Accordance with *Government Auditing Standards***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed  
in Accordance with Government Auditing Standards**

The Honorable Jim Shapkoff, Jr., Mayor  
and Members of the City Council  
City of Leesville, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leesville, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the City of Leesville's basic financial statements and have issued our report thereon dated December 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Leesville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as Finding 2005-04 through Finding 2005-08.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Finding 2005-04 through Finding 2005-05 to be material weaknesses.

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The Honorable Jim Shapkoff, Jr., Mayor  
and Members of the City Council  
City of Leesville, Louisiana

We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Leesville, Louisiana, in a separate letter, entitled *Other Comments and Recommendations*, dated December 19, 2005.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as Finding 2005-01 through Finding 2005-03.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City of Leesville, Louisiana, federal awarding agencies, pass-through entities, and the Legislative Auditor's office of the State of Louisiana. This report is not intended to be, and should not be, used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is in fact a public document.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants

December 19, 2005

**Report on Compliance with Requirements Applicable to  
Each Major Program and Internal Control Over Compliance  
in Accordance with OMB Circular A-133**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133**

The Honorable Jim Shapkoff, Jr., Mayor  
and Members of the City Council  
City of Leesville, Louisiana

**Compliance**

We have audited the compliance of the City of Leesville, Louisiana, with the types of compliance requirements described in the U.S. Office Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable its major federal program for the year ended June 30, 2005. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of management of the City of Leesville, Louisiana. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Leesville, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

MARVIN A. JUNEAN, C.P.A.  
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PAYNE, MOORE & HERRINGTON, LLP

The Honorable Jim Shapkoff, Jr., Mayor  
and Members of the City Council  
City of Leesville, Louisiana

### Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City of Leesville, Louisiana, federal awarding agencies, pass-through entities, and the Legislative Auditor's office of the State of Louisiana. This report is not intended to be, and should not be, used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is in fact a public document.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants

December 19, 2005

**City of Leesville, Louisiana  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005**

**Part I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  X  Yes      No

Reportable condition(s) identified not considered to be material weaknesses?  X  Yes      None reported

Noncompliance material to the financial statements?  X  Yes      No

Management's Corrective Action Plan See Attached

Management's Summary Schedule of Prior Audit Findings See Attached

Memorandum of Recommendations and Other Comments See Attached

**Federal Awards**

Internal control over major programs:

Material weaknesses identified?      Yes  x  No

Reportable conditions identified that are not considered to be material weaknesses?      Yes  x  None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?      Yes  x  No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee?      Yes  x  No

**City of Leesville, Louisiana  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005**

**Part II - Findings Relating to the Financial Statements which are  
Required to be Reported Under Government Auditing Standards**

Finding 2005-01

Bond Indenture Compliance

*Criteria:* Various indentures for bonds require the City to establish and maintain sinking funds and, in some cases, reserve and contingency funds; and specify that sinking funds, reserve funds, and contingency funds be fully funded prior to using any remaining funds for other purposes.

*Conditions:*

General Obligation Bonds, Series 1995, of Sewer District No. 3 and General Obligation Bonds of the City:

Funds were not transferred to the Sewer System Renewal and Replacement Fund in accordance with Section 5.2 of the agreement. At year-end, cumulative additions to the reserve fund were approximately \$51,000 less than the amount required by the bond agreement.

Public Improvement Sales Tax Bonds, Series 2005:

The indentures require the establishment of the Sales Tax Reserve Fund – 2005, by transferring to the Reserve Fund, immediately upon delivery of the bonds from bond proceeds, a sum equal to the combined maximum principal and interest requirements for any succeeding bond year on the Outstanding Parity Bonds and the Bonds. In accordance with this requirement, management should have transferred \$239,775 to the Reserve Fund from the bond proceeds. By year-end, only \$38,645 had been transferred to the Reserve Fund, leaving a deficit of \$201,130.

*Recommendation:* We recommend that the City comply with the requirements of the indentures or agreements for the various bonds. In addition, we recommend that the Sales Tax Reserve Fund – 2005 be fully funded from the remaining bond proceeds.

*Management's Response:* See Management's Corrective Action Plan.

**City of Leesville, Louisiana  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005**

Finding 2005-02

Lack of Cooperative Endeavor Agreement

*Criteria:* Article 7, Section 14(C) of the Louisiana Constitution allows cooperative endeavors for a public purpose, such as programs of social welfare for the aid and support of the needy, between a political subdivision such as the City and certain organizations.

*Condition:* The City is providing office space rent free to such an organization engaged in providing a medication access program to certain needy individuals. There is no cooperative endeavor agreement for this arrangement.

*Recommendations:* We recommend that the City and the organization enter into a cooperative endeavor agreement to comply with constitutional requirements.

*Management's Response:* See Management's Corrective Action Plan

Finding 2005-03

Alleged Theft of Funds

*Condition:* The City's existing internal controls detected unusual circumstances pertaining to certain receipts during January and February 2005. Management referred the findings to the Chief of Police for investigation. The investigation resulted in restitution of \$13,421 by the former employee. The Vernon Parish District Attorney and the Louisiana Legislative Auditor were notified. Certain additional safeguards were instituted to prevent a repetition of the problem.

*Recommendation:* We recommend that management continue to enforce internal controls relating to cash receipts.

*Management's Response:* See Management's Corrective Action Plan.

Finding 2005-04

Reconciliation of Occupational License Receipts

*Criteria:* The objectives of internal controls are to provide management with reasonable assurance that assets are safeguarded against loss and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

*Condition:* The client's listing of occupational license receipts from July 1, 2004 through June 30, 2005 shows a total of \$232,656 collected; however, the amount of occupational license receipts deposited from July 1, 2004 through June 30, 2005 totals only \$214,960, which leaves an unreconciled difference of \$17,696. An additional test of occupational license receipts was performed on a random sample of 60 occupational licenses from a client provided list of sequential occupational license numbers. Of the 60 tested, 6 occupational licenses could not be accounted for in the receipts history.

*Recommendation:* We recommend that the subsidiary listing of occupation license receipts be reconciled to the general ledger control account monthly. We also recommend that management further investigate the unreconciled difference, especially in relation to Finding 2005-03 above.

*Management's Response:* See Management's Corrective Action Plan.

**City of Leesville, Louisiana  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005**

Finding 2005-05

Reconciliation of Utility Accounts Receivable

*Criteria:* The objectives of internal controls are to provide management with reasonable assurance that assets are safeguarded against loss and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

*Condition:* At year-end, the water and sewer accounts receivable subsidiary did not reconcile to the general ledger control accounts by \$1,234 and \$28,828, respectively, primarily due to a software error that posts certain receipts on account in the general ledger to a revenue account instead of the accounts receivable control account.

*Recommendation:* We understand that management is working with the software vendor to correct the error. We recommend that the correction be made as soon as feasible. Until the software is corrected monthly manual journal entries should be made to correct the postings. In addition, we recommend that any remaining differences be investigated and corrected. To facilitate the reconciliation, we recommend that the accounts receivable subsidiary listing be printed on the last day of the month.

*Management's Response:* See Management's Corrective Action Plan.

Finding 2005-06

Purchasing Policies and Procedures

*Criteria:* The City has written accounts payable policies and procedures outlining purchasing guidelines which include approval of all invoices by a representative of the originating department prior to payment either by a completed check request form or by signature on the actual invoice. A purchase requisition is required for all purchases greater than \$50. Purchase orders are issued for approved purchase requisitions. Invoices must include an approved purchase order number. Invoices with no approved purchase order are returned to the vendor.

*Condition:* In prior year Finding 2004-10, we reported that 19 of 40 disbursements selected for testing for compliance with purchasing policies and procedures failed to comply with one or more of the above requirements. In current year testing, we found that 5 of 40 disbursements selected for testing failed to comply with one or more of the above requirements.

*Recommendation:* Although we understand that tremendous improvement has been made in this area, we recommend that established purchasing policies and procedures be strictly enforced.

*Management's Response:* See Management's Corrective Action Plan.

**City of Leesville, Louisiana  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005**

Finding 2005-07

Filing and Retention of Supporting Documentation

*Criteria:* A filing system that ensures the retention and the subsequent location of supporting documentation of transactions is an integral part of internal controls.

*Condition:* In prior year Finding 2004-06, we reported that little or no supporting documentation was available for certain receipts and deposits. We are pleased to report that substantial improvement has been made in this area. However, in our sample of forty days, client personnel were unable to locate utility stubs for one of the days selected for testing.

*Recommendation:* We continue to recommend that all receipts and deposits should be supported by adequate documentation and that such documentation should be retained to ensure that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

*Management's Response:* See Management's Corrective Action Plan.

Finding 2005-08

Controls Over Fuel Usage

*Criteria:* Controls over gasoline pumps should be adequate to ensure that supporting documentation for gasoline usage identifies the vehicle and pump meter readings. Such documentation should be reviewed promptly for reasonableness.

*Condition:* The fuel machine that records the amount of fuel available and used has been broken since March 2004. Estimated monthly fuel usages were charged to the various city departments during the year ended June 30, 2005. We understand that, subsequent to June 30, 2005, the equipment was replaced and that actual fuel usages are now available.

*Recommendation:* We continue to recommend that back up procedures be established in case of future equipment failure to provide management with reasonable assurance that assets are safeguarded against loss and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

*Management's Response:* See Management's Corrective Action Plan.

**Part III – Findings and Questioned Costs for Federal Awards**

None reported.

**Other Comments and Recommendations**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Other Comments and Recommendations**

The Honorable Jim Shapkoff, Jr., Mayor  
and Members of the City Council  
City of Leesville, Louisiana

In planning and performing our audit of the basic financial statements of the City of Leesville, Louisiana, as of and for the year ended June 30, 2005, we considered the City's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and compliance. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report, dated December 19, 2005, contains our report on reportable conditions on the City's internal control. This letter does not affect our report, dated December 19, 2005, on the basic financial statements of the City of Leesville, Louisiana.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management personnel, and we will be pleased to discuss them in detail at your convenience.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants

December 19, 2005

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**Memorandum of Other Comments and Recommendations**

**Finding 2005-09**

**Late Payment of Payroll Taxes and Other Disbursements**

**Criteria:** Payroll taxes and other disbursements should be paid timely to avoid penalty and interest charges for late payment.

**Condition:** In prior year Finding 2004-15, we reported that the City paid in excess of \$38,000 for penalty and interest on late payment of payroll taxes for the year ending June 30, 2004. We also noted that many invoices were paid late resulting in additional late charges. For the year ended June 30, 2005, we noted that penalties and interest for the late payment of payroll taxes totaled \$5,515, as substantial improvement over the prior year. We continued to note late payment of invoices. As of June 30, 2005, general liability insurance premiums, for the period May 1, 2005 through May 1, 2006, in the amount of \$120,021 were unpaid. Management informed us that a substantial amount of the general liability insurance premiums were paid in December 2005.

**Recommendation:** We continue to recommend that payroll taxes and other disbursements be paid timely to avoid penalty and interest charges for late payment. Management should also utilize monthly budgets as a tool to manage the various departments and control spending to ensure that cash flows are adequate to meet obligations incurred.

**Management's Response:** See Management's Corrective Action Plan.

**Management's Corrective Action Plan**

**City of Leesville, Louisiana  
Management's Corrective Action Plan  
Year Ended June 30, 2005**

<b>Section I: Internal Control and Compliance Material to the Financial Statements</b>	
Finding 2005-01	<u>Bond Indenture Compliance</u>
Response	Subsequent to year-end, the City transferred \$239,775 to the Sales Tax Reserve Fund to fully fund the reserve fund in accordance with the bond requirements. The City will strive to fund the Sewer System Renewal and Replacement Fund in accordance with the bond agreement.
Finding 2005-02	<u>Lack of Cooperative endeavor Agreement</u>
Response	The City is working on adopting a cooperative endeavor agreement with the agency that will comply with state law.
Finding 2005-03	<u>Alleged Theft of Funds</u>
Response	The City has added additional internal control procedures to prevent a repetition of the problem. In addition, management is closely monitoring controls relating to cash receipts.
Finding 2005-04	<u>Reconciliation of Occupational License Receipts</u>
Response	The City is working with our software vendor to improve occupational license reports. Occupational license receipts will be reconciled to the general ledger monthly.
Finding 2005-05	<u>Reconciliation of Utility Accounts Receivable</u>
Response	The City is continuing to work with our software vendor to correct this problem.
Finding 2005-06	<u>Purchasing Policies and Procedures</u>
Response	Purchasing policies and procedures are being enforced. The auditors noted that we have made tremendous improvements in this area in the past year. We are continuing to make additional improvements.
Finding 2005-07	<u>Filing and Retention of Supporting Documentation</u>
Response	The City implemented new procedures during the year that encompasses the filing of supporting documentation that required supporting documentation to be attached to all receipts and/or deposits. The incident referred to in the Finding occurred before implementation of the procedures.
Finding 2005-08	<u>Controls over Fuel Usage</u>
Response	Subsequent to year-end, the City installed a new fuel system. The City is working with the vendor to make the system operational. The system, once operational, will provide the information necessary to record fuel expenses by department.

**City of Leesville, Louisiana  
Management's Corrective Action Plan  
Year Ended June 30, 2005**

<b>Section II: Other Comments and Recommendations (Management Letter)</b>	
Finding 2005-09	<u>Late Payment of Payroll Taxes and Other Disbursements</u>
Response	Additional revenue sources such as the new sales tax for the police and fire departments have improved cash flow, which will reduce the amount of penalties and interest paid. The City will continue to utilize monthly budgets as a tool to control spending to ensure cash flows are adequate to meet obligations incurred.

**Management's Schedule of Prior Year Findings**

**City of Leesville, Louisiana  
Management's Schedule of Prior Year Findings  
Year Ended June 30, 2005**

<b>Section I:</b>		
Internal Control and Compliance Material to the Financial Statements		
Finding	Description	Status
Finding 2004-01	Bond Indenture Compliance	Partially resolved See Finding 2005-01
Finding 2004-02	Personal Use of Cell Phones	Resolved
Finding 2004-03	Collection of Delinquent Customer Utility Accounts	Resolved
Finding 2004-04	Compliance with Louisiana Bid Law	Resolved
Finding 2004-05	Approval for Incurrence of Debt	Resolved
Finding 2004-06	Compliance with Code of Ethics	Resolved
Finding 2004-07	Late Filing of Audit Report	Resolved
Finding 2004-08	Reporting Detectives' Clothing Allowance	Resolved
Finding 2004-09	Reconciliation of Utility Accounts Receivable	Partially resolved See Finding 2005-05
Finding 2004-10	Purchasing Policies and Procedures	Partially resolved See Finding 2005-06
Finding 2004-11	Filing and Retention of Supporting Documentation	Partially resolved See Finding 2005-07
Finding 2004-12	Controls Over Fuel Usage	Partially resolved See Finding 2005-08
Finding 2004-13	Accounting for DOTD Loan Proceeds	Resolved
Finding 2004-14	Controls Over Capital Assets	Resolved
Finding 2004-15	Late Payment of Payroll Taxes and Other Disbursements	Partially resolved See Finding 2005-09
<b>Section II:</b>		
Internal Control and Compliance Material to Federal Awards		
	None reported.	
<b>Section III:</b>		
Other Comments and Recommendations (Management Letter)		
2005-16	Old Outstanding checks	Resolved.
2005-17	Controls Over Blank Checks	Resolved.