

CITY OF DERIDDER
ANNUAL FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT
SEPTEMBER 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 4-26-06

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INDEPENDENT AUDITOR'S REPORT

The Honorable Gerald Johnson, Mayor
and Members of the City Council
City of DeRidder, Louisiana

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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated February 10, 2006 on my consideration of the City of DeRidder, Louisiana's internal control over financial reporting and my 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 my 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 my audit.

The budgetary comparison information on pages 34 through 36, 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. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The City of DeRidder, Louisiana, has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Honorable Gerald Johnson, Mayor
and Members of the City Council

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of DeRidder, Louisiana's, basic financial statements. The budgetary comparison information, combining and individual nonmajor fund financial statements, schedule of per diem paid to board members, prior year audit findings, and current year audit findings are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The budgetary comparison information, schedule of per diem paid to board members, prior year audit findings, and current year audit findings have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.



DeRidder, Louisiana
February 10, 2006

BASIC FINANCIAL STATEMENTS

Statement of Net Assets
September 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,988,852	\$ 357,963	\$ 4,346,815
Receivables:			
Franchise taxes	124,396	-	124,396
Sales taxes	63,218	-	63,218
Accounts	-	204,640	204,640
Special assessments	-	26,373	26,373
Accrued interest	-	223	223
Prepaid insurance	36,745	43,927	80,672
Due from other funds	149,502	70,584	220,086
Restricted cash and cash equivalents	-	1,986,795	1,986,795
Capital assets, not being depreciated	533,604	240,231	773,835
Capital assets, being depreciated - net	4,025,338	18,054,872	22,080,210
Total assets	<u>\$ 8,921,655</u>	<u>\$ 20,985,608</u>	<u>\$ 29,907,263</u>
LIABILITIES			
Accounts payable	\$ 215,551	\$ 69,968	\$ 285,519
Payroll taxes payable	63,312	15,801	79,113
Contracts payable	5,199	24,500	29,699
Other accrued liabilities	2,644	-	2,644
Due to other funds	216,126	3,960	220,086
Accrued interest payable	5,702	3,779	9,481
Customer deposits	-	146,638	146,638
Deferred revenues	-	26,373	26,373
Long term liabilities:			
Due within one year	255,000	18,236	273,236
Due in more than one year	1,088,452	291,758	1,380,210
Total liabilities	<u>\$ 1,851,986</u>	<u>\$ 601,013</u>	<u>\$ 2,452,999</u>
NET ASSETS			
Invested in capital assets - net of related debt	\$ 3,763,942	\$ 18,295,103	\$ 22,059,045
Restricted for:			
Contracts payable	-	24,500	24,500
Perpetual care	352,272	-	352,272
Debt service	48,986	-	48,986
Depreciation and contingencies	-	1,616,775	1,616,775
Customer deposits	-	146,638	146,638
Unrestricted	2,904,469	301,579	3,206,048
Total net assets	<u>\$ 7,069,669</u>	<u>\$ 20,384,595</u>	<u>\$ 27,454,264</u>
Total liabilities and net assets	<u>\$ 8,921,655</u>	<u>\$ 20,985,608</u>	<u>\$ 29,907,263</u>

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ended September 30, 2005

Program Activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Fees, Fines and Charges for Services	Operating and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government and administration	\$ 2,293,479	\$ 892,999	\$ -	\$ (1,400,480)	\$ -	\$ (1,400,480)
Public safety	3,121,976	8,819	75,949	(2,831,888)	-	(2,831,888)
Public works	1,530,120	-	-	(1,530,120)	-	(1,530,120)
Recreation	110,793	-	-	(110,793)	-	(110,793)
Interest on long term debt	51,858	-	-	(51,858)	-	(51,858)
Unallocated depreciation*	37,788	-	-	(37,788)	-	(37,788)
Total governmental activities	\$ 7,146,014	\$ 901,818	\$ 75,949	\$ (5,962,927)	\$ -	\$ (5,962,927)
Business-type activities:						
Water and sewer	\$ 2,547,715	\$ 2,076,637	\$ -	\$ -	\$ 295,178	\$ 295,178
Total government	\$ 9,693,729	\$ 2,978,455	\$ 75,949	\$ (5,962,927)	\$ 295,178	\$ (5,667,749)

General revenues:

Taxes:						
Ad valorem taxes	\$ 498,580	\$ -	\$ -	\$ -	\$ -	\$ 498,580
Sewer assessments	-	-	-	-	11,388	11,388
Sales taxes	4,968,957	-	-	-	-	4,968,957
Insurance premium tax	27,987	-	-	-	-	27,987
Chain store tax	6,950	-	-	-	-	6,950
Franchise tax	475,549	-	-	-	-	475,549
Occupational licenses and permits	484,845	-	-	-	-	484,845
Housing assistance	126,859	-	-	-	-	126,859
Investment earnings	56,463	-	-	-	17,889	74,352
Gain (Loss) on sale of assets	(1,046)	-	-	-	1,562	516
Rental income	37,950	-	-	-	-	37,950
Miscellaneous	44,404	-	-	-	244	44,648
Transfers in	3,088,254	-	-	-	245,116	3,333,370
Transfers out	(3,199,467)	-	-	-	(133,903)	(3,333,370)
Assets transferred to governmental activities	130,510	-	-	-	(130,510)	-
Total general revenues and transfers	\$ 6,746,795	\$ -	\$ -	\$ -	\$ 11,786	\$ 6,758,581
Change in net assets	\$ 783,868	\$ -	\$ -	\$ -	\$ 306,964	\$ 1,090,832
Net assets at beginning of year	6,285,801	-	-	-	20,077,631	26,363,432
Net assets at end of year	\$ 7,069,669	\$ -	\$ -	\$ -	\$ 20,384,595	\$ 27,454,264

* Unallocated depreciation excludes direct depreciation expenses of the City's various programs

The accompanying notes are an integral part of the statement.

Balance Sheet
Governmental Funds
September 30, 2005

	Major Fund			Total Governmental Funds
	General	Special Revenue Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 493,777	\$ 2,257,142	\$ 1,113,610	\$ 3,864,529
Receivables				
Franchise taxes	124,396	-	-	124,396
Sales taxes	-	63,218	-	63,218
Prepaid insurance	15,916	20,829	-	36,745
Due from other funds	10,152	131,368	7,982	149,502
Total assets	\$ 644,241	\$ 2,472,557	\$ 1,121,592	\$ 4,238,390
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 42,820	\$ 73,514	\$ 489	\$ 116,823
Payroll taxes payable	53,081	10,231	-	63,312
Contracts payable	-	-	5,199	5,199
Other accrued liabilities	-	-	2,644	2,644
Due to other funds	79,626	-	16,500	96,126
Total liabilities	\$ 175,527	\$ 83,745	\$ 24,832	\$ 284,104
Fund Balances:				
Reserved for:				
Debt service	-	-	\$ 48,986	\$ 48,986
Perpetual care	352,272	-	-	352,272
Unreserved:				
Designated for subsequent years' expenditures reported in:				
Sales tax fund	-	200,000	-	200,000
Undesignated, reported in:				
General fund	116,442	-	-	116,442
Special revenue fund	-	2,188,812	86,251	2,275,063
Capital project funds	-	-	961,523	961,523
Total fund balances	\$ 468,714	\$ 2,388,812	\$ 1,096,760	\$ 3,954,286
Total liabilities and fund balances	\$ 644,241	\$ 2,472,557	\$ 1,121,592	\$ 4,238,390

The accompanying notes are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet
to Statement of Net Assets
September 30, 2005

Total fund balance - total governmental funds	\$	3,954,286
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.		3,971,671
Internal service funds are used to charge the costs of certain activities, such as insurance, automotive equipment, and plant material and trees, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		(94,405)
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.		(5,702)
Capital assets reported in the proprietary fund but financed with general obligation debt have been transferred to governmental activities in the government wide statement of net assets in order to show those assets net of related debt in the net assets section of the government wide statement of net assets		587,271
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Due within one year	\$	(255,000)
Due in more than one year		(1,088,452)
		<u>(1,343,452)</u>
Net assets of governmental activities	\$	<u>7,069,669</u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2005

	General Fund	Major Fund Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Ad valorem	\$ 498,580	\$ -	\$ -	\$ 498,580
Sales tax	-	4,968,957	-	4,968,957
Insurance premium tax	27,987	-	-	27,987
Chain store tax	6,950	-	-	6,950
Franchise	475,549	-	-	475,549
Intergovernmental:				
Federal grants	89,375	-	-	89,375
State grants	54,075	-	-	54,075
Local grants	137,819	-	-	137,819
Housing assistance	-	-	126,859	126,859
Occupational licenses and permits	484,845	-	-	484,845
Fees and charges for services	32,666	-	-	32,666
Investment income	9,005	28,117	11,492	48,614
Rental income	37,950	-	-	37,950
Other revenues	11,877	13,208	19,319	44,404
Total revenues	\$ 1,866,678	\$ 5,010,282	\$ 157,670	\$ 7,034,630

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2005

	General Fund	Major Fund Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Expenditures				
Current operating:				
General government	\$ 481,556	\$ 414,156	\$ 129,459	\$ 1,025,171
Public safety	2,887,498	-	-	2,887,498
Public works	-	1,287,158	101,030	1,388,188
Recreation	73,299	-	-	73,299
Debt service:				
Principal	25,000	-	215,000	240,000
Interest	15,306	-	30,850	46,156
Bad debts	-	-	61,746	61,746
Capital outlay	451,417	41,910	5,199	498,526
Total expenditures	\$ 3,934,076	\$ 1,743,224	\$ 543,284	\$ 6,220,584
Excess (deficiency) of revenues over expenditures	\$ (2,067,398)	\$ 3,267,058	\$ (385,614)	\$ 814,046
Other financing sources (uses)				
Transfer in	\$ 2,401,775	\$ 10,000	\$ 576,479	\$ 2,988,254
Transfer out	(241,336)	(2,957,559)	(572)	(3,199,467)
Gain on sale of assets	2,600	875	-	3,475
Total other financing sources (uses)	\$ 2,163,039	\$ (2,946,684)	\$ 575,907	\$ (207,738)
Net change in fund balance	\$ 95,641	\$ 320,374	\$ 190,293	\$ 606,308
Fund balances at beginning of year	364,555	2,068,438	914,985	3,347,978
Residual equity transfer	8,518	-	(8,518)	-
Fund balances at end of year	\$ 468,714	\$ 2,388,812	\$ 1,096,760	\$ 3,954,286
				(Concluded)

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to the
Statement of Activities

For the Year Ended September 30, 2005

Net change in fund balances - total governmental funds	\$	606,308
Amounts reported for governmental activities in the statement of activities are different because:		
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(90,115)
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(4,521)
The net effect of various transactions involving capital assets (contributions, trades, etc.) is to increase net assets.		137,952
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		
General fund	\$ 451,417	
Special revenue fund	41,910	
Internal service fund	13,824	
Other governmental funds	5,199	
		512,350
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(360,085)
Accrued interest on long term debt is not shown in the governmental funds.		(5,702)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of bond repayments.		240,000
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
The net income of the internal service funds is reported with governmental activities		(252,319)
Change in net assets of governmental activities		783,868

The accompanying notes are an integral part of this statement.

Statement of Net Assets
Proprietary Fund
September 30, 2005

	<u>Business-Type Activities - Enterprise Fund Water and Sewer</u>	<u>Governmental Activities Internal Service Funds</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 357,963	\$ 124,323
Receivables:		
Accounts	204,640	-
Special assessments	26,373	-
Accrued interest	223	-
Prepaid insurance	43,927	-
Due from other funds	70,584	-
Total current assets	<u>\$ 703,710</u>	<u>\$ 124,323</u>
Noncurrent Assets		
Restricted cash and cash equivalents	\$ 1,986,795	\$ -
Capital assets not being depreciated	240,231	-
Capital assets being depreciated - net	18,642,143	-
Total noncurrent assets	<u>\$ 20,869,169</u>	<u>\$ -</u>
Total assets	<u><u>\$ 21,572,879</u></u>	<u><u>\$ 124,323</u></u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 69,968	\$ 98,728
Payroll taxes payable	15,801	-
Accrued interest payable	3,779	-
Due to other funds	3,960	120,000
Current portion of certificates payable	18,236	-
Total current liabilities	<u>\$ 111,744</u>	<u>\$ 218,728</u>
Liabilities payable from restricted assets		
Contracts payable	\$ 24,500	\$ -
Customer deposits	146,638	-
Total liabilities payable from restricted assets	<u>\$ 171,138</u>	<u>\$ -</u>
Deferred revenues	\$ 26,373	\$ -
Noncurrent Liabilities		
Certificates payable	\$ 72,945	\$ -
Compensated absences	218,813	-
Total noncurrent liabilities	<u>\$ 291,758</u>	<u>\$ -</u>
Total liabilities	<u><u>\$ 601,013</u></u>	<u><u>\$ 218,728</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Net Assets
 Proprietary Fund
 September 30, 2005

	Business-Type Activities - Enterprise Fund	Governmental Activities
	<u>Water and Sewer</u>	<u>Internal Service Funds</u>
Net Assets		
Invested in capital assets	\$ 18,882,374	\$ -
Restricted for:		
Contracts payable	\$ 24,500	\$ -
Depreciation and contingencies	1,616,775	-
Customers deposits	146,638	-
Unrestricted	<u>301,579</u>	<u>(94,405)</u>
Total net assets	<u>\$ 20,971,866</u>	<u>\$ (94,405)</u>
 Total liabilities and net assets	 <u>\$ 21,572,879</u>	 <u>\$ 124,323</u> (Concluded)

The accompanying notes are an integral part of this statement.

Reconciliation of the Proprietary Funds Statement of Net Assets
to the Statement of Net Assets
For the Year Ended September 30, 2005

Amounts reported for business-type activities in the
statement of net assets are different because:

Total net assets for proprietary fund statement of net assets	\$ 20,971,866
Capital assets reported in the proprietary fund but financed with general obligation debt have been transferred to governmental activities in the government wide statement of net assets in order to show those assets net of related debt in the net asset section of the government wide statement of net assets	<u>(587,271)</u>
Net assets of business type activities	<u><u>\$ 20,384,595</u></u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended September 30, 2005

	Business-Type Activities - Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
Operating revenues		
Charges for services	\$ 2,076,637	\$ 770,660
Rebates and reimbursements	-	98,492
Total operating revenues	<u>\$ 2,076,637</u>	<u>\$ 869,152</u>
Operating expenses		
Personal services	\$ 1,038,941	\$ -
Supplies	225,627	-
Contractual services	458,333	179,392
Depreciation	829,450	-
Capital outlay	-	13,824
Claims	-	1,036,104
Total operating expenses	<u>\$ 2,552,351</u>	<u>\$ 1,229,320</u>
Income (loss) from operations	<u>\$ (475,714)</u>	<u>\$ (360,168)</u>
Nonoperating revenues (expenses)		
Sewer assessments	\$ 11,388	\$ -
Interest income	17,889	7,849
Interest expense	(4,990)	-
Gain on sale of assets	1,562	-
Miscellaneous	244	-
Bad debts	(1,596)	-
Total nonoperating revenues (expenses)	<u>\$ 24,497</u>	<u>\$ 7,849</u>
Income (loss) before transfers	\$ (451,217)	\$ (352,319)
Capital contributions	766,256	-
Transfers in	245,116	100,000
Transfers out	<u>(133,903)</u>	<u>-</u>
Change in net assets	\$ 426,252	\$ (252,319)
Net assets at beginning of year	<u>20,545,614</u>	<u>157,914</u>
Net assets at end of year	<u>\$ 20,971,866</u>	<u>\$ (94,405)</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues,
Expenses, and Changes in Net Assets
of Proprietary Funds to the Statement of Activities

For the Year Ended September 30, 2005

Net change in net assets - total proprietary funds	\$	426,252
Capital assets reported in the proprietary fund but financed with general obligation debt have been transferred to governmental activities in the government wide statement of net assets in order to show those assets net of related debt in the net assets section of the government wide statement of net assets.		(130,510)
Depreciation on capital assets reported in the proprietary fund but financed with general obligation debt has been transferred to governmental activities in the government wide statement of activities.		11,222
Change in net assets of proprietary activities		<u>306,964</u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2005

	Business-Type Activities - Enterprise Fund	Governmental Activities
	Water and Sewer	Internal Service Fund
Cash flows from operating activities:		
Cash received from customers	\$ 2,075,606	\$ 869,151
Cash payments to suppliers for goods and services	(728,567)	(1,140,440)
Cash payments for employee services and employee related fringe benefits	(1,036,129)	-
Net cash provided (used) by operating activities	\$ 310,910	\$ (271,289)
Cash flows from noncapital financing activities:		
Transfers from other funds	\$ 245,116	\$ 100,000
Transfers out to other funds	(133,903)	-
Due to other funds	(156,633)	-
Due from other funds	-	120,000
Miscellaneous income	244	-
Bad debts	(1,596)	-
Net cash provided (used) for noncapital financing activities	\$ (46,772)	\$ 220,000
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	\$ (1,248,840)	\$ -
Gain on assets sold	7,310	-
Sewer assessments	12,375	-
Interest paid on debt	(5,744)	-
Principal paid on certificates	(18,237)	-
Contributed capital received	766,256	-
Net cash used for capital and related financing activities	\$ (486,880)	\$ -

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2005

	Business-Type Activities - Enterprise Fund	Governmental Activities
	<u>Water and Sewer</u>	<u>Internal Service Fund</u>
Cash flows from investing activities:		
Interest on cash management activities:	\$ 19,220	\$ 7,849
Net decrease in cash and cash equivalents	\$ (203,522)	\$ (43,440)
Cash and cash equivalents, beginning of year	2,548,280	167,763
Cash and cash equivalents, end of year	\$ 2,344,758	\$ 124,323
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (475,714)	\$ (360,168)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	\$ 829,450	\$ -
Increase in accounts receivable	(7,788)	-
Decrease in accounts payable	(49,690)	88,879
Decrease in employee benefits payable	(15,936)	-
Increase in contracts payable	1,200	-
Increase in customer deposits	6,757	-
Increase in compensated absences	18,748	-
Decrease in prepaid insurance	3,883	-
Total adjustments	\$ 786,624	\$ 88,879
Net cash provided (used) by operating activities:	\$ 310,910	\$ (271,289)
		(Concluded)

The accompanying notes are an integral part of this statement.

City of DeRidder, Louisiana
Notes to the Financial Statements
As of and for the Year Ended September 30, 2005

INTRODUCTION

The City of DeRidder was incorporated under the provisions of the Lawrason Act. The City operates under a Mayor-City Council form of government under a home rule charter.

The accounting and reporting policies of the City of DeRidder conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The City is located within Beauregard Parish in the southwestern part of the State of Louisiana and is comprised of approximately 9,700 residents. The governing board is composed of seven elected council members that are compensated for regular and special board meetings. There are approximately ninety-six employees who provide various services to the residents. The City maintains approximately 74 miles of roadways within the city limits.

The City maintains various funds that provide services and benefits to the residents. The general fund provides police and fire protection, and culture and recreational activities. The sales tax fund provides public works of highway and street maintenance and solid waste collection and disposal. The utility fund provides water and sewer services to approximately 4,100 residents. Other funds are established as needed for specific projects undertaken by the City.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The municipality has oversight of other component units that are blended into the municipalities basic financial statements.

Blended Components Units

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality are blended component units. For a component unit to be blended, the organization's board and the municipality must be substantially the same, or the organization must provide services entirely to the municipality and blended with the appropriate municipality funds:

Section - 8 Existing Housing

Included in the special revenue funds are the financial statements of Section 8 Existing Housing that has a fiscal year ending June 30, 2005. Section 8 Existing Housing is a component unit of the City government, and a separate audit of its operations is performed. Although the City does provide facilities and some of the financing, no control is exercised over the operations. In addition to the above organization, the Mayor, with the approval of the council, appoints board members to the DeRidder Housing Authority Board. The financial statements of Section 8 Existing Housing may be obtained from the City of DeRidder, 200 S. Jefferson St., DeRidder, LA 70634.

Discretely Presented Component Units

Component units that are legally separate from the municipality, but are financially accountable to the municipality, or whose relationship with the municipality are such that exclusion would cause the municipality's financial statements to be misleading or incomplete are discretely presented.

The City of DeRidder had no discretely presented component units as of September 30, 2005.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The municipality reports the following major governmental funds:

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

Special Revenue Fund

The Sales Tax Fund accounts for sales tax revenues that are legally restricted to expenditures for specific purposes.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

The municipality reports the following major proprietary fund:

The Proprietary Fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the government reports to following fund types:

Internal service funds account for services provided to other departments and agencies of the municipality, or to other governments, on a cost reimbursement basis.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Charges for services of providing water and sewer services to residents comprise the operating revenue of the City's enterprise fund. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Deposits and Investments

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

Investments for the municipality, as well as for its component units, are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

D. Receivables and Payables

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

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on the property. Due to this, the majority, if not all property taxes are collected, therefore no allowance account for uncollectibles has been established. Water and sewer charges have customer deposits that have been collected in advance therefore the majority of all water and sewer billing is collected or taken out of the customer's deposit, any allowance account would be immaterial, therefore one has not been established.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Taxes due for:			Renewed
General corporate tax	7.23	7.23	Annually
Police/Fire capital improvements	2.60	2.60	9-30-2006

The following are the principal taxpayers and related property tax revenue for the municipality:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Meadwestvaco	Manufacturer	\$ 5,406,763	10.62%	\$ 53,148
First National Bank	Banking	2,651,673	5.21%	26,066
Total		<u>\$ 8,058,436</u>	<u>15.83%</u>	<u>\$ 79,214</u>

Sales Taxes

The City of DeRidder receives a 1% sales and use tax that is dedicated to constructing, paving, resurfacing and improving streets, sidewalks and bridges; constructing and improving drains and subsurface drainage; and for the purpose of defraying the maintenance expenses thereof; constructing, acquiring and improving public parks and recreational facilities and purchasing and acquiring the necessary land, equipment and furnishing thereof. In addition, it provides funds for the retirement of all public improvement bonds. This tax is for an indefinite period.

An additional 1% sales tax, for a twenty year period ending, is dedicated and used for the following purposes:

41% for constructing, improving, repairing, operating and maintaining public buildings, public streets and sidewalks; drains and drainage facilities; garbage and solid waste collection and disposal facilities; paying the cost of other public services, including grass cutting; and paying the cost of improving or extending city utilities to encourage and induce the location of or additions to industrial enterprises having economic impact upon the city;

55% to pay the cost of providing public safety and fire and police protection services and improving, repairing, operating and maintaining sewers and sewerage collection and disposal works, including the acquisition of furnishings and equipment for any of said purposes;

4% to pay the cost of constructing, improving, repairing, operating and maintaining public parks and recreational facilities and purchasing and acquiring the necessary land, equipment and furnishing thereof. In addition, it provides funds for the retirement of all public improvement bonds.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

The City of DeRidder also collects a ¼% sales and use tax with the proceeds to be dedicated and used solely for the purpose of supplementing the salaries and benefits of policemen and firemen and improving police and fire protection facilities, including the acquisition of equipment and vehicles for such purpose. This tax has no term limit.

E. Prepaid Items

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

F. Restricted Assets

Certain resources in the enterprise fund have been set aside for the repair, maintenance and replacement of the water and sewer systems of the City. These resources are classified as restricted assets because their use is limited.

A payment of \$100 per month is deposited into a State of Louisiana reimbursement account. The account was established to reimburse the state their cost associated with the widening of Highway 171 in prior years. This account is restricted and may be called by the state at their discretion.

Cash collected from utility fund customers as deposits against future utility bills are classified as restricted assets and are held by the City in custodial cash accounts entitled "Customer Deposits".

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$1,000 or more for capitalizing capital assets.

According to GASB 34 the City of DeRidder was not required to retroactively report infrastructure assets in it's financial statements, therefore, these assets have not been reported in the financial statements.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$51,146. No interest was included as part of the cost of capital assets under construction in connection with the City's construction projects.

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

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	40-50 years
Land improvements	20-50 years
Buildings and building improvements	20-50 years
Furniture and fixtures	5-15 years
Vehicles	5-10 years
Equipment	3-15 years

H. Compensated Absences

The City of DeRidder's recognition and measurement criterion for compensated absences follows:

On July 1, 1996, the City enacted new legislation concerning sick leave pay and unpaid vacation. Full time employees earn vacation leave at varying rates depending upon length of service, which also may be accumulated

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

up to a maximum of 160 days. Upon death, retirement, or separation of service from the City, an employee may receive their entire accumulated sick leave pay if he chooses to draw it out over regular pay periods. If the employee chooses to receive the pay in a lump sum he will receive 50% of the accumulated pay. In addition, upon retirement, unused sick leave is used in the retirement benefit computation as earned service.

On March 28, 1994, the sick leave policy was amended to reflect that each employee of the City would receive 4 hours of sick leave per pay period (13 days per year). As an exception, firemen working 53 hours per week will receive 10 hours of sick leave per month. Upon termination (voluntary or involuntary) an employee will receive full pay for accumulated sick leave not to exceed a 60-day limit (480 hours) with payment made by an installment plan based on the hourly rate at retirement.

No sick leave credit hours accumulated under the old sick leave policy will be lost. Upon retirement or termination, remuneration will be made to those employees who have accrued sick leave under the old policy. This payment will be made in installments and capped at the hourly rate as of December 31, 1993.

I. Long-Term Obligations

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

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

J. Fund Equity

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

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

L. Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION The municipality uses the following budget practices:

1. The Director of Finance submits to the Mayor and City Council a proposed operating budget no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. For the fiscal year beginning October 1, 2004 and ending September 30, 2005 the budget was submitted to the City Council on August 9, 2004 and the public

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

hearing was called for. After the public hearing was held, the budget was adopted by ordinance of the City Council.

2. Budgetary appropriations lapse at the end of each fiscal year.
3. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
4. Amendments to the budget are approved by the City Council by a formal adoption of an ordinance. The original budget is amended as necessary and all amendments are reflected in the budget comparisons in the financial statements.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed in the Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions.

DEFICITS

The following individual funds have deficits in unreserved fund balance (net assets) at September 30, 2005:

<u>Fund</u>	<u>Deficit Amount</u>
Internal service funds	\$ 94,405

3. CASH AND CASH EQUIVALENTS

At September 30, 2005, the municipality has cash and cash equivalents (book balances) totaling \$6,333,610 as follows:

Demand deposits	\$ 104,886
Interest bearing demand deposits	156,377
Time deposits	148,000
Money market investment accounts	4,496,851
Louisiana Asset Management Pool (LAMP)	1,423,599
Cash on hand	3,547
Petty cash	350
Total	<u>\$ 6,333,610</u>

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

At September 30, 2005, the municipality has \$4,963,743 in deposits (collected bank balances). These deposits are secured from risk by \$504,886 of federal deposit insurance and \$4,458,857 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

The City also had invested \$1,423,599 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP as of September 30, 2005 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations which local governments in Louisiana are authorized to invest in accordance with LSA - R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than three months, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

4. RECEIVABLES

The receivables of \$418,850 at September 30, 2005, are as follows:

<u>Class of receivable</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes:				
Franchise	\$ 124,396	\$ -	\$ -	\$ 124,396
Sales	-	63,218	-	63,218
Accounts	-	-	204,640	204,640
Accrued interest	-	-	223	223
Assessments	-	-	26,373	26,373
Total	<u>\$ 124,396</u>	<u>\$ 63,218</u>	<u>\$ 231,236</u>	<u>\$ 418,850</u>

5. INTERFUND RECEIVABLES/PAYABLES

The following due to/from balances exist due to payments made out of one fund that relate to the other fund. The balance in each respective due to/from account is expected to be paid within the current year.

	<u>Due from</u>	<u>Due to</u>
General fund	\$ 10,152	\$ 79,626
Proprietary fund	70,584	3,960
Internal service funds	-	120,000
Special revenue funds	131,368	-
Debt service funds	7,982	16,500
Total	<u>\$ 220,086</u>	<u>\$ 220,086</u>

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2005, for the primary government is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 528,405	\$ -	\$ -	\$ 528,405
Work in progress	-	5,199	-	5,199
Total capital assets not being depreciated	<u>528,405</u>	<u>5,199</u>	<u>-</u>	<u>533,604</u>
Capital assets being depreciated				
Buildings	2,808,575	133,739	-	2,942,314
Improvements other than buildings	802,605	74,949	-	877,554
Furniture and fixtures	1,092	-	-	1,092
Machinery and equipment	1,121,195	202,649	17,069	1,306,775
Guns	-	695	-	695
Vehicles	1,264,671	95,119	73,695	1,286,095
Utility fund asset	-	598,493	-	598,493
Total capital assets being depreciated	<u>5,998,138</u>	<u>1,105,644</u>	<u>90,764</u>	<u>7,013,018</u>
Less accumulated depreciation for:				
Buildings	1,102,840	69,200	-	1,172,040
Improvements other than buildings	154,681	34,346	-	189,027
Furniture and fixtures	127	218	-	345
Machinery and equipment	543,511	136,810	11,846	668,475
Guns	-	41	-	41
Vehicles	911,977	108,248	73,695	946,530
Utility fund asset	-	11,222	-	11,222
Total accumulated depreciation	<u>2,713,136</u>	<u>360,085</u>	<u>85,541</u>	<u>2,987,680</u>
Total capital assets being depreciated, net	<u>\$ 3,285,002</u>	<u>\$ 745,559</u>	<u>\$ (5,223)</u>	<u>\$ 4,025,338</u>

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 57,221	\$ -	\$ -	\$ 57,221
Construction in progress	467,983	313,520	598,493	183,010
Total capital assets not being depreciated	<u>525,204</u>	<u>313,520</u>	<u>598,493</u>	<u>240,231</u>
Capital assets being depreciated				
Utility plant and improvements	30,482,994	855,397	1,299	31,337,092
Furniture and equipment	30,168	24,545	3,675	51,038
Vehicles	183,120	51,991	29,882	205,229
Total capital assets being depreciated	<u>30,696,282</u>	<u>931,933</u>	<u>34,856</u>	<u>31,593,359</u>
Less accumulated depreciation for:				
Utility plant and improvements	12,584,659	792,601	1,267	13,375,993
Furniture and equipment	24,103	3,897	2,842	25,158
Vehicles	143,994	21,730	28,388	137,336
Total accumulated depreciation	<u>12,752,756</u>	<u>818,228</u>	<u>32,497</u>	<u>13,538,487</u>
Total business-type assets being depreciated, net	<u>\$ 17,943,526</u>	<u>\$ 113,705</u>	<u>\$ (2,359)</u>	<u>\$ 18,054,872</u>

Depreciation expense of \$360,085 for the year ended September 30, 2005, was charged to the following governmental functions:

Public works	\$ 69,999
Public safety	157,286
General administration	57,518
Recreation	37,494
Unallocated	37,788
Total	<u>\$ 360,085</u>

7. CONSTRUCTION COMMITMENTS

The municipality has active construction projects as of September 30, 2005. The City of DeRidder has a street overlay improvement project as of September 30, 2005. The City also has a waterline replacement project. At year end the commitments with contractors were as follows:

Project	Spent to Date
Street Overlay Improvement Project	\$ 5,199
Waterline Replacement Project	183,010
Total	<u>\$ 188,209</u>

8. INTERFUND TRANSFERS

	Transfer in	Transfer out
Capital project fund	\$ 330,643	\$ 572
General fund	2,401,775	241,336
Proprietary fund	245,116	133,903
Special revenue fund	10,000	2,957,559
Debt service fund	245,836	-
Internal service fund	100,000	-
Total	<u>\$ 3,333,370</u>	<u>\$ 3,333,370</u>

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

9. ACCOUNTS AND OTHER PAYABLES

The payables of \$369,831 at September 30, 2005, are as follows:

	General Fund	Proprietary Fund	Capital Projects Fund	Special Revenue Funds	Internal Service Funds	Total
Withholdings	\$ 53,081	\$ 15,801	\$ -	\$ 10,231	\$ -	\$ 79,113
Accounts	42,820	69,968	-	74,003	98,728	285,519
Contracts	-	-	5,199	-	-	5,199
Total	\$ 95,901	\$ 85,769	\$ 5,199	\$ 84,234	\$ 98,728	\$ 369,831

10. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended September 30, 2005.

	Proprietary Fund		
	Compensated Absences	Certificates of Indebtedness	Total
Long-term obligations at beginning of year	\$ 200,065	\$ 109,417	\$ 309,482
Additions	79,257	-	79,257
Principal payments	-	(18,236)	(18,236)
Compensated absences used	(60,509)	-	(60,509)
Long-term obligations at end of year	\$ 218,813	\$ 91,181	\$ 309,994

	Governmental Funds			
	Compensated Absences	Certificates of Indebtedness	Bonded Debt	Total
Long-term obligations at beginning of year	\$ 458,337	\$ 580,000	\$ 455,000	\$ 1,493,337
Additions	338,258	-	-	338,258
Principal payments	-	(200,000)	(40,000)	(240,000)
Compensated absences used	(248,143)	-	-	(248,143)
Long-term obligations at end of year	\$ 548,452	\$ 380,000	\$ 415,000	\$ 1,343,452

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of September 30, 2005:

	Proprietary Fund		
	Compensated Absences	Certificates of Indebtedness	Total
Current portion	\$ -	\$ 18,236	\$ 18,236
Long-term portion	218,813	72,945	291,758
Total	\$ 218,813	\$ 91,181	\$ 309,994

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

	Governmental Funds			Total
	Certificates of Indebtedness	Bonded Debt	Compensated Absences	
Current portion	\$ 215,000	\$ 40,000	\$ -	\$ 255,000
Long-term portion	165,000	375,000	548,452	1,088,452
Total	\$ 380,000	\$ 415,000	\$ 548,452	\$ 1,343,452

Certificates of Indebtedness are comprised of the following individual issues at September 30, 2005:

Certificates of Indebtedness – Governmental Funds:

\$1,320,000 Series 1997 Certificates of Indebtedness due in annual installments of \$165,000 through August, 2007; interest at the rate of 5.5% \$325,000

\$250,000 Series 2001 Certificates of Indebtedness due in annual installments of \$45,000 to \$55,000 through August 1, 2006; interest at the rate of 4.5% \$55,000

Certificates of Indebtedness – Proprietary Funds:

\$182,362 Series 1999 Sewerage Certificates of Indebtedness due in annual installments of \$18,236 through December 2009; interest at the rate of 5.25% \$91,181

Bonded debt is comprised of the following issue at September 30, 2005:

Bonded Debt – Governmental Funds:

\$500,000 Series 2005 Water Improvement Bonds due in annual installments of \$45,000 to \$55,000 through August 2014; interest at the rate of 3.875% \$415,000

At September 30, 2005, the City of DeRidder accumulated \$48,986 in the debt service fund for future debt requirements. The annual requirements to amortize all bonds, certificates, and capital lease outstanding at September 30, 2005, for the City of DeRidder is as follows:

<u>Year Ending September 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2006	273,236	39,475	312,711
2007	223,236	26,273	249,509
2008	63,236	15,272	78,508
2009	63,236	13,152	76,388
2010	63,237	9,494	72,731
Thereafter	200,000	20,913	220,913
Total	\$ 886,181	\$ 124,579	\$ 1,010,760

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At September 30, 2005, the statutory limit is \$17,812,751, and outstanding bonded debt totals \$415,000.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

11. RESERVED RETAINED EARNINGS/FUND BALANCE

The Proprietary Fund – The utility fund had reserved retained earnings available as follows:

Restricted assets:	
Replacement, extension and contingency accounts	\$ 1,752,475
State contract funds	28,078
Customers' deposits	<u>178,498</u>
Total	<u>\$ 1,959,051</u>
Less:	
Liabilities payable from restricted assets:	
Customers deposits	\$ 146,638
Contracts payable	<u>24,500</u>
Total	<u>\$ 171,138</u>
Reserved retained earnings	<u>\$ 1,787,913</u>

The Debt Service Fund – The debt service fund had reserved fund balance available as follows:

Reserved for debt service	<u>\$ 48,986</u>
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The General Fund – The general fund had reserved fund balance available as follows:

Reserved for perpetual care	<u>\$ 352,272</u>
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12. RETIREMENT SYSTEMS

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

A. Municipal Employees Retirement System of Louisiana (System)

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

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0% of their annual covered salary and the City of DeRidder is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City of DeRidder are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of DeRidder's contributions to the System under Plan B for the years ending September 30, 2005, 2004 and 2003, were \$119,895, \$94,104, and \$78,029, respectively, equal to the required contributions for each year.

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

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City of DeRidder is required to contribute at an actuarially determined rate. The current rate is 16.25% of annual covered payroll. The contribution requirements of plan members and the City of DeRidder are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of DeRidder's contributions to the System for the years ending September 30, 2005, 2004 and 2003, were \$188,100, \$123,259, and \$72,190, respectively, equal to the required contributions for each year.

C. Firefighters' Retirement System of Louisiana

Plan Description. Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 % of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

City of DeRidder, Louisiana

Notes to the Financial Statements (Concluded)

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

Funding Policy. Plan members are required by state statute to contribute 8.00% of their annual covered salary and the City of DeRidder is required to contribute at an actuarially determined rate. The current rate is 18.00% of annual covered payroll. The contribution requirements of plan members and the City of DeRidder are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of DeRidder's contributions to the System for the years ending September 30, 2005, 2004, and 2003, were \$176,861, \$40,625, and \$68,378 respectively, equal to the required contributions for each year.

REQUIRED SUPPLEMENTAL INFORMATION

General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over/(under)	Actual Amount GAAP Basis
	Original	Final			
Revenues					
Taxes:					
Ad valorem	\$ 476,000	\$ 498,600	\$ 498,580	\$ (20)	\$ 498,580
Insurance premium tax	27,000	28,000	27,987	(13)	27,987
Chain store tax	10,000	6,900	6,950	50	6,950
Franchise	419,000	453,300	475,549	22,249	475,549
Intergovernmental:					
Federal grants	59,737	80,637	89,375	8,738	89,375
State grants	27,263	61,463	54,075	(7,388)	54,075
Local grants	72,000	137,800	137,819	19	137,819
Occupational licenses and permits	419,800	485,200	484,845	(355)	484,845
Fees and charges for services	28,100	32,050	32,666	616	32,666
Investment income	4,500	3,200	9,005	5,805	9,005
Rental income	37,800	39,900	37,950	(1,950)	37,950
Other revenue	19,300	26,300	11,877	(14,423)	11,877
Total revenues	\$ 1,600,500	\$ 1,853,350	\$ 1,866,678	\$ 13,328	\$ 1,866,678

(Continued)

General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over(under)	Actual Amount GAAP Basis
	Original	Final			
Expenditures					
Current operating:					
General government	\$ 467,716	\$ 514,150	\$ 481,556	\$ 32,594	\$ 481,556
Public safety	2,708,800	2,847,025	2,887,498	(40,473)	2,887,498
Recreation	73,400	70,175	73,299	(3,124)	73,299
Debt service:					
Principal	25,000	25,000	25,000	-	25,000
Interest	15,300	15,300	15,306	(6)	15,306
Capital outlay	248,000	462,800	451,417	11,383	451,417
Total expenditures	\$ 3,538,216	\$ 3,934,450	\$ 3,934,076	\$ 374	\$ 3,934,076
Excess (deficiency) of revenues over expenditures	\$ (1,937,716)	\$ (2,081,100)	\$ (2,067,398)	\$ 13,702	\$ (2,067,398)
Other financing sources (uses):					
Transfers in	\$ 1,973,664	\$ 2,401,800	\$ 2,401,775	\$ (25)	\$ 2,401,775
Transfers out	(231,336)	(231,336)	(241,336)	(10,000)	(241,336)
Gain on sale of assets	3,000	2,600	2,600	-	2,600
Total other financing sources (uses)	\$ 1,745,328	\$ 2,173,064	\$ 2,163,039	\$ (10,025)	\$ 2,163,039
Net change in fund balance	\$ (192,388)	\$ 91,964	\$ 95,641	\$ 3,677	\$ 95,641
Fund balances at beginning of year	353,865	364,555	364,555	-	364,555
Residual equity transfer	-	-	8,518	8,518	8,518
Fund balances at end of year	\$ 161,477	\$ 456,519	\$ 468,714	\$ 12,195	\$ 468,714

(Concluded)

Sales Tax Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over(under)	Actual Amount GAAP Basis
	Original	Final			
Revenues					
Taxes:					
Sales	\$ 4,587,000	\$ 5,025,000	\$ 4,968,957	\$ (56,043)	\$ 4,968,957
Investment income	20,000	32,200	28,117	(4,083)	28,117
Other revenues	12,707	13,207	13,208	1	13,208
Total revenues	\$ 4,619,707	\$ 5,070,407	\$ 5,010,282	\$ (60,125)	\$ 5,010,282
Expenditures					
General government	\$ 384,300	\$ 413,900	\$ 414,156	\$ (256)	\$ 414,156
Public works	1,346,000	1,323,600	1,287,158	36,442	1,287,158
Capital outlay	61,000	69,700	41,910	27,790	41,910
Total expenditures	\$ 1,791,300	\$ 1,807,200	\$ 1,743,224	\$ 63,976	\$ 1,743,224
Excess (deficiency) of revenues over expenditures	\$ 2,828,407	\$ 3,263,207	\$ 3,267,058	\$ 3,851	\$ 3,267,058
Other financing sources (uses):					
Transfers in	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
Transfers out	(2,411,404)	(2,957,504)	(2,957,559)	(55)	(2,957,559)
Gain on sale of assets	3,500	875	875	-	875
Total other financing sources (uses)	\$ (2,397,904)	\$ (2,946,629)	\$ (2,946,684)	\$ (55)	\$ (2,946,684)
Net change in fund balance	\$ 430,503	\$ 316,578	\$ 320,374	\$ 3,796	\$ 320,374
Fund balances at beginning of year	2,010,803	2,068,438	2,068,438	-	2,068,438
Fund balances at end of year	\$ 2,441,306	\$ 2,385,016	\$ 2,388,812	\$ 3,796	\$ 2,388,812

OTHER SUPPLEMENTAL INFORMATION

City of DeRidder, Louisiana

Nonmajor Funds

CAPITAL PROJECTS FUNDS

Street Construction - to account for the construction and further improvements of certain streets within the City limits for general purpose use.

Historical Enhancement Fund – to account for funds used in the development and maintenance of the historic district in downtown DeRidder.

2003 LCDBG Water Improvement Project – to account for funds provided by LCDBG (Louisiana Community Development Block Grant) for upgrades to the City's water system.

2002 LCDBG Water Well Project – to account for funds provided by LCDBG (Louisiana Community Development Block Grant) for the new water well project.

SPECIAL REVENUE FUND

Section - 8 Existing Housing - to account for the revenue and expenditures of the federal Section - 8 Housing programs as required by federal regulations.

DEBT SERVICE FUNDS

Street Improvement Assessment Funds (Phase 5 Street Improvements; Phase 6 & 7 Street Improvements; Contingency Fund for Street Improvements) - to account for the costs of paving streets in certain areas (districts) within the City.

Certificates of Indebtedness, Series 1997 and 2001 - to accumulate monies for payment of the 1997, \$1,320,000 and the 2001, \$250,000 certificates of indebtedness respectively at an interest rate of 5.50% and 4.50% respectively.

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2005

	Capital Projects				Special Revenue				Debt Service			
	Street Construction J	Historical Enhancement Fund	2002 LCDBG Water Well Project	2003 LCDBG Water Improvements Project	Section 8 Housing	Special Assessment #5	Special Assessment #6 & 7	Special Assessment Contingency Fund	Debt Service	Debt Service	Debt Service	Total
Assets												
Cash in Bank	\$ 958,381	\$ 8,341	\$ -	\$ -	\$ 89,384	\$ 3,095	\$ 5,189	\$ 234	\$ 48,986	\$ -	\$ 1,113,610	
Due from other funds	-	-	-	-	-	-	-	7,982	-	-	7,982	
Total Assets	\$ 958,381	\$ 8,341	\$ -	\$ -	\$ 89,384	\$ 3,095	\$ 5,189	\$ 8,216	\$ 48,986	\$ -	\$ 1,121,592	
Liabilities and Equity												
Liabilities												
Contracts Payable	\$ 5,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,199	
HUD	-	-	-	-	489	-	-	-	-	-	489	
Other accrued liabilities	-	-	-	-	2,644	-	-	-	-	-	2,644	
Due to other funds	-	-	-	-	-	3,095	5,189	8,216	-	-	16,500	
Total Liabilities	\$ 5,199	\$ -	\$ -	\$ -	\$ 3,133	\$ 3,095	\$ 5,189	\$ 8,216	\$ -	\$ -	\$ 24,832	
Equity												
Reserve for debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,986	\$ -	\$ 48,986	
Unreserved/Undesignated	953,182	8,341	-	-	86,251	-	-	-	-	-	1,047,774	
Total Equity	\$ 953,182	\$ 8,341	\$ -	\$ -	\$ 86,251	\$ -	\$ -	\$ -	\$ 48,986	\$ -	\$ 1,096,760	
Total Liabilities and Equity	\$ 958,381	\$ 8,341	\$ -	\$ -	\$ 89,384	\$ 3,095	\$ 5,189	\$ 8,216	\$ 48,986	\$ -	\$ 1,121,592	

City of DeRidder, Louisiana

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended September 30, 2005

	Capital Projects				Special Revenue			Debt Service			Total
	Street Construction J	Historical Enhancement Fund	2002 LCDBG Water Well Project		Section 8 Housing	Special Assessment #5	Special Assessment #6 & 7	Special Assessment Contingency Fund	Debt Service		
			2003 LCDBG Water Project	Improvements							
Revenues											
Transfers in	\$ 250,000	\$ -	\$ 1,841	\$ 78,802	\$ -	\$ -	\$ -	\$ -	\$ 245,836	\$ 576,479	
Interest	9,700	-	-	-	726	38	54	3	971	11,492	
Intergovernmental	-	-	-	-	126,859	-	-	-	-	126,859	
Miscellaneous	-	-	-	-	-	2,343	16,976	-	-	19,319	
Total Revenues	\$ 259,700	\$ -	\$ 1,841	\$ 78,802	\$ 127,585	\$ 2,381	\$ 17,030	\$ 3	\$ 246,807	\$ 734,149	
Expenses											
Construction contracts	\$ -	\$ -	\$ -	\$ 72,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,765	
Engineering & other	27,999	-	-	-	-	-	-	-	-	29,558	
Administrative	-	-	-	-	-	-	-	-	-	3,906	
Principal	-	-	-	-	-	-	-	-	215,000	215,000	
Interest	-	-	-	-	-	-	-	-	30,850	30,850	
Transfers out	-	-	-	572	-	-	17,348	19,318	-	572	
Bad debts	-	-	-	-	-	25,080	-	-	-	61,746	
Operating	-	-	-	-	129,459	-	-	-	-	129,459	
Total Expenses	\$ 27,999	\$ -	\$ -	\$ 78,802	\$ 129,459	\$ 25,080	\$ 17,348	\$ 19,318	\$ 245,850	\$ 543,856	
Net income (loss)	\$ 231,701	\$ -	\$ 1,841	\$ -	\$ (1,874)	\$ (22,699)	\$ (318)	\$ (19,315)	\$ 957	\$ 190,293	

Schedule of Compensation of Board Members
For the Fiscal Year Ended September 30, 2005

Vincent Labue (President)	\$	7,200
Estella Scott (Vice President)		7,200
Hayward Steele		7,200
Johnnie Mango		7,200
Kerry Anderson		7,200
Collowyn Hodnett		7,200
Gordon Jenkins		<u>7,200</u>
	\$	<u>50,400</u>

OTHER REPORTS

Status of Prior Year Audit Findings
Year Ended September 30, 2005

Finding – Financial Statement Audit

There were no prior year audit findings reported as of September 30, 2004.

Schedule of Current Year Audit Findings
For the Year Ended September 30, 2005Finding – Financial Statement AuditMeter Reading and Billing Software

Finding:

The City acquired new hardware and software for their utility billing during the year. The City began using the new software during September, the last month of their fiscal year. The total billing using the new software for September was \$510,432, this figure required adjustments of \$253,866 leaving a billing register balance of \$256,566. This adjusted amount of billings is approximately \$50,000 higher than any other month during the fiscal year. Also, adjustments since September have varied from \$20,000 to \$55,000 per month, compared to adjustments under the old billing system ranging from \$500 to \$7,000 in any given month.

The hardware consisting of hand held meter reading devices has not worked properly causing numerous misreads or not reading the meters at all. The vendor has been notified of these problems but has not properly addressed these problems according to City personnel. City personnel including the meter readers and office personnel have not been properly trained in the use of the hand held meter reading devices or the format of the billing register and the method of correcting errors in the system.

Recommendation:

I recommend contacting the vendor that sold the software to the City and setting up training sessions on the use of the hand held meter reading devices and the format of the billing register that is printed after the readings have been entered in the system. If the training is inadequate or unacceptable to the City personnel using the system and significant errors still exist, I recommend replacing the billing system.



People - Progress - Pride

City of DeRidder

200 South Jefferson Street
DeRidder, Louisiana 70634

(337) 462-8907

March 28, 2006

Ginny Brand
Director of Finance

Steve J. Theriot, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

This letter is in response to the findings during our September 30, 2005 audit.

We are aware of problems with our meter reading handhelds and are scheduled to return the handhelds for additional service on approximately April 22, 2006, to our new computer company CSDC. The meter readers are having problems with meter errors and other problems when attempting to read customers meters. During the month of March, CSDC brought in more training to help all departments, but especially assisting the utility office in better learning how to read the meter reading reports. This will help us in correcting utility bills before they are mailed to our customers, therefore reducing adjustments.

Also, in January we made a list of additional issues and problems that we needed correcting and sent the list to CSDC. As of today, most of the problems have been addressed and corrected.

The City of DeRidder is holding final payment to CSDC until we are completely satisfied. If you need additional information, please don't hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Ginny Brand".

Ginny Brand

John A. Windham, CPA

A Professional Corporation

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA

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 Gerald Johnson, Mayor
and the Members of the City Council
City of DeRidder, Louisiana

I 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 DeRidder, Louisiana, as of and for the year ended September 30, 2005, which collectively comprise the City of DeRidder, Louisiana's basic financial statements and have issued my report thereon dated February 10, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of DeRidder, Louisiana's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to the management of the City of DeRidder, Louisiana in a separate letter dated February 10, 2006.

This report is intended solely for the information and use of management, others within the organization, the City Council, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties, although under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

John A. Windham, CPA

DeRidder, Louisiana
February 10, 2006

John A. Windham, CPA

A Professional Corporation

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA

The Honorable Gerald Johnson, Mayor
and Members of the City Council
City of DeRidder, Louisiana

In planning and performing my audit of the financial statements of the City of DeRidder, Louisiana for the year ended September 30, 2005, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control. However, I noted certain matters involving internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control that, in my judgment, could adversely affect the City of DeRidder, Louisiana's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Other Comments and Recommendations

Meter Reading and Billing Software

Finding:

The City acquired new hardware and software for their utility billing during the year. The City began using the new software during September, the last month of their fiscal year. The total billing using the new software for September was \$510,432, this figure required adjustments of \$253,866 leaving a billing register balance of \$256,566. This adjusted amount of billings is approximately \$50,000 higher than any other month during the fiscal year. Also, adjustments since September have varied from \$20,000 to \$50,000 per month, compared to adjustments under the old billing system ranging from \$1,000 to \$5,000 in any given month.

The hardware consisting of hand held meter reading devices has not worked properly causing numerous misreads or not reading the meters at all. The vendor has been notified of these problems but has not properly addressed these problems according to City personnel. City personnel including the meter readers and office personnel have not been properly trained in the use of the hand held meter reading devices or the format of the billing register and the method of correcting errors in the system.

Recommendation:

I recommend contacting the vendor that sold the software to the City and setting up training sessions on the use of the hand held meter reading devices and the format of the billing register that is printed after the readings have been entered in the system. If the training is inadequate or unacceptable to the City personnel using the system and significant errors still exist, I recommend replacing the billing system.

The Honorable Gerald Johnson, Mayor
and the Members of the City Council
City of DeRidder, Louisiana
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This report is intended solely for the information and use of the Board of Aldermen, management, others within the administration, and the Legislative Auditor; and is not intended to be and should not be used by anyone other than these specified parties, although under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

J. Windham, CPA

DeRidder, Louisiana
February 10, 2006