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CITY OF PINEVILLE, LOUISIANA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2003

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 1-21-04

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ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
M. DALE HARRINGTON, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
STEVEN E. KIRBALL, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71316-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

November 26, 2003

Independent Auditors' Report

To the Honorable Mayor and Board of Aldermen
City of Pineville, 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 Pineville, as of and for the year ended June 30, 2003, 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 Pineville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pineville, as of June 30, 2003, 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.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2003.

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the financial statements but are

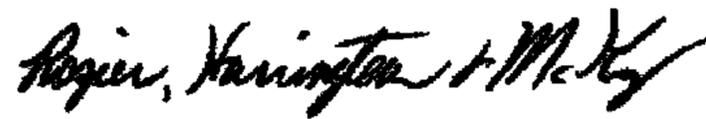
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supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental 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 City of Pineville's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 26, 2003, on our consideration of the City of Pineville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

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LEE W. WILLIS, CPA
STEVEN E. KIMBALL, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1808
TELECOPIER (318) 487-2027

November 26, 2003

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

To the Honorable Mayor
and the Board of Aldermen
City of Pineville, Louisiana

We have audited the financial statements of the City of Pineville, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Pineville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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City of Pineville
November 26, 2003
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This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

City Of Pineville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

This section of the City of Pineville's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2003. Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will provide additional explanations of the City's financial position and results of operations.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the City's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the City's assets (including infrastructure acquired after July 1, 1980) and all of the City's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including public safety, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, fines and forfeitures, and intergovernmental sources.
- **Business-Type Activities** – Expenses associated with providing utility and sanitation services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the City's most significant activities and are not intended to provide information for the City as a whole. Funds are accounting devices that are used to account for specific sources of funds. The City has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental

City of Pineville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

fund use a modified accrual basis of accounting that provides a short-term view of the City's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the City's utility and sanitation services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, the following tables present only current year data. In future years, comparative analysis of government-wide data will be presented.

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Current and Other Assets	\$ 3,739,815	\$ 1,758,436	\$ 5,498,251
Internal Balances	1,039,224	(1,039,224)	—
Capital Assets	9,322,933	14,859,591	24,182,524
Total Assets	14,101,972	15,578,803	29,680,775
<u>Liabilities:</u>			
Current and Other Liabilities	1,538,158	600,232	2,138,390
Long-term Liabilities	3,102,021	1,495,954	4,597,975
Total Liabilities	4,640,179	2,096,186	6,736,365
<u>Net Assets:</u>			
Invested in Capital Assets (Net)	7,759,224	13,363,637	21,122,861
Restricted	2,692,024	645,396	3,337,420
Unrestricted	(989,455)	(526,416)	(1,515,871)
Total Net Assets	\$ 9,461,793	\$ 13,482,617	\$ 22,944,410

As the presentation appearing above demonstrates, the largest portion of the City's net assets (92.1%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and infrastructure less any debt used to acquire the assets that remains outstanding. The City uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

City of Pineville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

An additional portion of the net assets represent resources that are subject to restrictions that are imposed by agreements with the City's bondholders or requirements imposed by various revenue sources.

The City's unrestricted resources are exceeded by liabilities payable from those resources; however, a substantial portion of those liabilities are long-term obligations that mature in installments over the next six to ten years. Due to the long-term nature of these liabilities, the City has sufficient unrestricted resources to meet its ongoing obligations to citizens and creditors. In addition, the City will devote a portion revenues received in future years to repaying long-term debts in a manner that will provide sufficient resources to meet the scheduled maturity of these obligations.

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Revenues:</u>			
Program Revenue:			
Charges for Services	\$ 295,317	\$ 3,922,745	\$ 4,218,062
Operating Grants and Contributions	113,763	—	113,763
Capital Grants and Contributions	486,551	331,851	818,402
General Revenue:			
Property Taxes	1,057,076	—	1,057,076
Sales Taxes	6,410,898	—	6,410,898
Franchise Fees	657,346	—	657,346
Occupational Licenses	520,555	—	520,555
Intergovernmental	477,091	—	477,091
Other	172,409	15,912	188,321
Total Revenue	10,191,006	4,270,508	14,461,514
<u>Program Expenses:</u>			
General Government	1,926,830	—	1,926,830
Public Safety			
Police Department	2,525,954	—	2,525,954
Fire Department	2,538,827	—	2,538,827
Public Works	1,536,373	—	1,536,373
Health & Welfare	134,934	—	134,934
Culture and Recreation	784,026	—	784,026
Utility Service	—	3,035,624	3,035,624
Sanitation	—	1,177,518	1,177,518
Other	—	37,689	37,689
Total Expenses	9,446,944	4,250,831	13,697,775

City of Pineville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

	Governmental Activities	Business- Type Activities	Total
Increase in Net Assets Before Transfers	744,062	19,677	763,739
Transfers	122,240	(122,240)	---
Change in Net Assets	866,302	(102,563)	763,739
Net Assets Beginning	8,595,491	13,585,180	22,180,671
Net Assets Ending	\$ 9,461,793	\$ 13,482,617	\$ 22,944,410

Governmental activities increased the City's net assets by \$866,302. The increase is partially attributable to grants and contributions (\$486,551) that were used to acquire capital assets. The remaining increase is attributable using the City's governmental resources to pay principal maturing on long-term debt.

Business-type activities decreased the City's net assets by \$102,563. The decrease is attributable to the transfer of resources to governmental funds.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported combined fund balances of \$3,962,111, which represents a decrease of \$226,739 in comparison to the previous balance. In addition, the City's general fund, which is available for spending at the City's discretion, reported a fund balance of \$548,857. The general fund balance decreased by \$122,555. The decreases in fund balances are attributable to rising costs that have exceeded growth in the City's tax base. The rising costs are primarily due to insurance premiums and pension cost that are beyond the City's control.

Amounts reported for business-type activities in the City's individual funds are identical to the business-type activities reported in the government-wide presentation.

GENERAL FUND BUDGET HIGHLIGHTS

The City's general fund and each special revenue fund are required to adopt budgets. Budgets are amended as necessary and two of the funds experienced significant increases in appropriations. The significant increases are discussed below.

- A portion of the increase experienced by the general fund amounting to \$345,600 was due to including a provision in the budget for Police and Fire supplemental pay that is funded by the State of Louisiana. The remaining increase was related to appropriating funds for unanticipated expenditures that are described in the preceding section on the financial analysis of the City's funds.
- A portion of the increase in appropriations for Special Economic Development Projects was necessary to provide funds for extending an important street and improving the Kees Park

City of Pineville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

Community Center. The remaining increases was necessary to provide funds for special events that were previously included in the general funds budget.

CAPITAL ASSET ADMINISTRATION

Capital asset activity for the year ended June 30, 2003 is summarized as follows:

	Govern- mental Activities	Business- Type Activities	Total
Additions:			
Equipment Purchases	\$ 339,201	\$ 220,289	\$ 559,490
Improvements to Utility System	---	274,140	274,140
Dedications by developers	352,535	227,961	580,496
Street Improvements – Lofton Drive	188,210	---	188,210
Street Planning and Design – Susek Drive	91,648	---	91,648
Acquisition of Property Adjacent to City Hall	52,000	---	52,000
Renovations – Kees Park Community Center	69,042	---	69,042
Miscellaneous	75,874	---	75,874
Total Additions	1,168,510	722,390	1,890,900
Depreciation	(592,354)	(850,796)	(1,443,150)
Net Increase (Decrease)	576,156	(128,406)	447,750
Beginning Capital Asset (Net)	8,746,777	14,987,997	23,734,774
Ending Net Assets (Net)	\$ 9,322,933	\$ 14,859,591	\$ 24,182,524

Highlights of the City's capital asset administration are provided as follows:

- Equipment purchases were primarily related to purchasing new vehicles necessary to update the City's aging transportation fleet. In addition the City acquired equipment for the police department, including a new computerized record keeping system. Furthermore, equipment purchases included new aerators to enhance the City's wastewater treatment capacity.
- Improvements to the City's utility system were necessary to replace worn and obsolete components.
- Various developers dedicated new to streets, drainage and utility components to the City. City representatives supervised construction of these improvements to ensure that the dedicated assets meet City specifications.
- The City used funds designated to economic development to stimulate commercial activity and eliminate traffic problems by constructing Lofton Drive.
- The City is in the process of completing designs and acquiring property for improvements to Susek Drive. Grant funds have been secured to provide a substantial portion of the funding for this project.
- The City took advantage of an opportunity to by a residence on Regan Street that encroaches on the City Hall Complex.

City of Pineville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

- Improvements to the Kees Park Community Center consisted of replacing the facilities roof and portions of the ceiling.

DEBT ADMINISTRATION

During recent years, the City has refunded eligible debt in order to take advantage of lower interest rates. During the year ended June 30, 2003 the City's Utility Revenue Bonds, Series 1991 became eligible for refunding and these bonds were redeemed with proceeds from issuing Utility Revenue Refunding Bonds, Series 2003. The refunding of the old bond issue will produce a significant savings as a result of lower interest rates.

With the exception of the refunding bonds described above, new debt was limited to executing a capital lease in the amount of \$160,000. The lease was used to acquire five new patrol cars and a new computerized public safety record keeping system for the police department.

FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

Events and conditions that are expected to have a significant influence on future operations are highlighted as follows:

- Grant funds provided by the State of Louisiana are being used to enhance the City's wastewater treatment capacity by expanding its existing treatment plant. This project will benefit the local economy by allowing the City to accommodate the needs of new industrial users and the expansion of existing industrial users. The project is expected to cost approximately \$7,000,000.
- The City will to enhance public safety by continuing efforts to improve Susek Drive. State and Federal grant funds have been secured to minimize the City's cost related to this project.
- In order to attract and retain qualified police officers the City has adopted a pay increase for its police department. The police department has adopted new enforcement measures that are expected to generate revenue needed to fund the raises.
- The City has organized an ad hoc committee consisting of a diverse group of citizens and elected officials. The purpose of the committee is study the City's finances and make recommendations for improving the City's financial condition. Consideration and possible implementation of the Committee's recommendations is expected in the near future.
- The City joined forces with several other municipalities to oppose extraordinarily high contribution rates imposed by the Firefighter's Retirement System. Recently, the 19th Judicial District Court has ruled in favor of municipalities by limiting the contribution rate to a maximum of nine percent. This ruling will result in a substantial savings for the City of Pineville; however, it is anticipated that the Firefighter's Retirement System will appeal the Court's ruling.

City of Pineville

STATEMENT OF NET ASSETS

June 30, 2003

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,109,261	\$ 359,757	\$ 2,469,018
Receivables (net)	858,712	650,787	1,509,499
Restricted cash	762,754	747,892	1,510,646
Other assets	9,088	-	9,088
Internal balances	1,039,224	(1,039,224)	-
Capital assets			
Non depreciable capital assets	1,796,712	78,168	1,874,880
Depreciable capital assets, net	<u>7,526,221</u>	<u>14,781,423</u>	<u>22,307,644</u>
Total assets	<u>14,101,972</u>	<u>15,578,803</u>	<u>29,680,775</u>
<u>LIABILITIES</u>			
Accounts and other payables	816,928	193,476	1,010,404
Accrued interest payable from restricted assets	104,783	12,496	117,279
Deposits due others	-	304,260	304,260
Long-term liabilities			
Due within one year	616,447	90,000	706,447
Due in more than one year	<u>3,102,021</u>	<u>1,495,954</u>	<u>4,597,975</u>
Total liabilities	<u>4,640,179</u>	<u>2,096,186</u>	<u>6,736,365</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	7,759,224	13,285,469	21,044,693
Restricted:			
Debt service	43,528	645,396	688,924
Capital projects and equipment acquisition	2,129,477	-	2,129,477
Other purposes	519,019	-	519,019
Unrestricted	<u>(989,455)</u>	<u>(448,248)</u>	<u>(1,437,703)</u>
Total net assets (deficit)	<u>\$ 9,461,793</u>	<u>\$ 13,482,617</u>	<u>\$ 22,944,410</u>

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

City of Pineville

STATEMENT OF ACTIVITIES **Year Ended June 30, 2003**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants & Contributions</u>	
<u>Governmental Activities:</u>					
General Government					
Judicial	\$ 308,896	\$ 51,543	\$ 83,305	\$ -	\$ (174,048)
Executive	192,553	-	-	-	(192,553)
Finance & Administrative	1,425,381	52,612	-	-	(1,372,769)
Public Safety					
Police Department	2,525,954	33,401	30,458	-	(2,462,095)
Fire Department	2,538,827	6,000	-	-	(2,532,827)
Public Works					
City Shop	201,836	-	-	-	(201,836)
Street Maintenance	576,675	20,106	-	486,551	(70,018)
Drainage Maintenance	500,971	-	-	-	(500,971)
Building Maintenance	256,891	71,991	-	-	(184,900)
Health & Welfare (Impounding)	134,934	6,357	-	-	(128,577)
Culture & Recreation					
Recreation Department	265,209	26,296	-	-	(238,913)
Community Centers	171,629	27,011	-	-	(144,618)
Special Events	148,638	-	-	-	(148,638)
Interest on Long-Term Debt	198,550	-	-	-	(198,550)
Total Governmental Activities	9,446,944	295,317	113,763	486,551	(8,551,313)
<u>Business-Type Activities:</u>					
Utility System	3,035,624	3,072,822	-	331,851	369,049
Sanitation	1,177,518	846,398	-	-	(331,120)
Airport	37,689	3,525	-	-	(34,164)
Total Business-Type Activities	4,250,831	3,922,745	-	331,851	3,765
Total	\$ 13,697,775	\$ 4,218,062	\$ 113,763	\$ 818,402	\$ (8,547,548)

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

City of Pineville

STATEMENT OF ACTIVITIES (Continued) **Year Ended June 30, 2003**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Net (Expense) Revenue (Continued From Previous Page)	<u>\$ (8,551,313)</u>	<u>\$ 3,765</u>	<u>\$ (8,547,548)</u>
<u>General Revenues:</u>			
Taxes:			
Ad Valorem	1,057,076	-	1,057,076
Sales	6,410,898	-	6,410,898
Licenses & Permits			
Franchise Fees	657,346	-	657,346
Occupational Licenses	520,555	-	520,555
Intergovernmental	477,091	-	477,091
Other	172,409	15,912	188,321
Transfers	<u>122,240</u>	<u>(122,240)</u>	<u>-</u>
Total General Revenues	<u>9,417,615</u>	<u>(106,328)</u>	<u>9,311,287</u>
Change in Net Assets	866,302	(102,563)	763,739
Net Assets Beginning	<u>8,595,491</u>	<u>13,585,180</u>	<u>22,180,671</u>
Net Assets Ending	<u>\$ 9,461,793</u>	<u>\$ 13,482,617</u>	<u>\$ 22,944,410</u>

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

City of Pineville

Balance Sheet Governmental Funds - June 30, 2003

	<u>General Fund</u>	<u>Dedicated 1% Sales Tax</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Cash Equivalents	\$ 844,187	\$ -	\$ 692,821	\$ 572,253	\$ 2,109,261
Receivables (net)	408,760	228,082	64,662	157,208	858,712
Interfund Receivables	114,041	-	1,568,446	3,323	1,685,810
Restricted cash	-	-	-	762,754	762,754
Other Assets	8,923	-	-	165	9,088
Total assets	\$ 1,375,911	\$ 228,082	\$ 2,325,929	\$ 1,495,703	\$ 5,425,625
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 420,287	\$ -	\$ 178,398	\$ 218,243	\$ 816,928
Interfund Payables	406,767	228,082	-	11,737	646,586
Total liabilities	827,054	228,082	178,398	229,980	1,463,514
Fund Balance					
Unreserved - Reported In					
General Fund	548,857	-	-	-	548,857
Special Revenue Funds	-	-	-	519,019	519,019
Capital Project Funds	-	-	2,147,531	(18,054)	2,129,477
Debt Service Funds	-	-	-	764,758	764,758
Total Fund Balances	548,857	-	2,147,531	1,265,723	3,962,111
Total Liabilities and Fund Balance	\$ 1,375,911	\$ 228,082	\$ 2,325,929	\$ 1,495,703	\$ 5,425,625

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

City of Pineville

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

Year Ended June 30, 2003

Total Fund Balances - Governmental Funds	\$ 3,962,111
Amounts reported for governmental activities in the statement of net assets are different because:	
Long term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Fund Balance Sheet	(3,823,251)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>9,322,933</u>
Net Assets of Governmental Activities	<u>\$ 9,461,793</u>

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

City of Pineville

Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds - Year Ended June 30, 2003

	General Fund	Dedicated 1% Sales Tax	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Ad Valorem	\$ 323,885	\$ -	\$ -	\$ 733,191	\$ 1,057,076
Sales	3,645,394	2,765,504	-	-	6,410,898
Licenses & Permits:					
Franchise Fees	657,346	-	-	-	657,346
Occupational Licenses	520,555	-	-	-	520,555
Other	28,312	-	-	-	28,312
Intergovernmental	539,631	-	26,296	199,686	765,613
Fines and Forfeitures	57,215	-	-	-	57,215
Other	244,873	-	48,707	47,894	341,474
Total Revenues	6,017,211	2,765,504	75,003	980,771	9,838,489
Expenditures:					
Current:					
General Government					
Judicial					
City Court	176,960	-	-	-	176,960
City Marshal	130,620	-	-	-	130,620
Executive	183,328	-	350	-	183,678
Finance & Administrative	1,363,602	-	21,823	3,678	1,389,103
Public Safety					
Police Department	2,278,026	-	8,129	-	2,286,155
Fire Department	2,366,115	-	101,316	-	2,467,431
Public Works					
City Shop	194,715	-	873	-	195,588
Street Maintenance	417,802	-	20,633	-	438,435
Drainage Maintenance	345,426	-	89,890	-	435,306
Building Maintenance	205,535	-	7,821	-	213,356
Health & Welfare	124,163	-	4,622	1,555	130,340
Culture & Recreation					
Recreation Department	194,041	-	19,233	-	213,274
Community Centers	153,815	-	4,339	-	158,154
Special Events & Projects	29,756	-	-	118,882	148,638
Capital Expenditures	174,864	-	285,018	356,111	815,993
Debt Service	209,375	-	292,415	456,192	957,982
Total Expenditures	8,548,143	-	856,452	936,418	10,341,013
Excess (Deficiency) of					
Revenues Over Expenditures	(2,530,932)	2,765,504	(781,449)	44,353	(502,524)

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

City of Pineville

Continued

Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds - Year Ended June 30, 2003

	General Fund	Dedicated 1% Sales Tax	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	(2,530,932)	2,765,504	(781,449)	44,353	(502,524)
Other Financing Sources (Uses):					
Operating Transfers In	2,821,001	-	1,382,752	448,772	4,652,525
Operating Transfers Out	(572,624)	(2,765,504)	(660,363)	(538,249)	(4,536,740)
Proceeds From Long-Term Debt	160,000	-	-	-	160,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(122,555)	-	(59,060)	(45,124)	(226,739)
Fund Balance (Deficit) - Beginning of Year	<u>671,412</u>	<u>-</u>	<u>2,206,591</u>	<u>1,310,847</u>	<u>4,188,850</u>
Fund Balance (Deficit) - End of Year	<u>\$ 548,857</u>	<u>\$ -</u>	<u>\$ 2,147,531</u>	<u>\$ 1,265,723</u>	<u>\$ 3,962,111</u>

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

City of Pineville

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

Year Ended June 30, 2003

Net change in fund balances of Governmental Funds	\$ (226,739)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	223,639
Dedication of infrastructure by developers does not provide current financial resources and is not reported as revenue by governmental funds.	352,517
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures by governmental funds.	(82,547)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	759,432
Bond proceeds provide current financial resources to governmental funds, but increase the long term liabilities in the statement of net assets.	<u>(160,000)</u>
Change in net assets of governmental activities	<u>\$ 866,302</u>

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

City of Pineville

Statement of Net Assets Proprietary Funds - June 30, 2003

	Business-Type Activities - Enterprise Funds				Governmental
	Utility	Sanitation	Nonmajor	Total	Activities
	System		Funds		Internal
					Services
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 359,757	\$ -	\$ -	\$ 359,757	\$ -
Receivables (net)	492,911	157,876	-	650,787	-
Total current assets	852,668	157,876	-	1,010,544	-
Restricted Assets:					
Cash and cash equivalents	747,892	-	-	747,892	-
Noncurrent Assets:					
Construction in process	78,168	-	-	78,168	-
Depreciable capital assets, net	14,283,485	221,184	276,754	14,781,423	-
Total assets	15,962,213	379,060	276,754	16,618,027	-
LIABILITIES:					
Current Assets:					
Accounts and other payables	142,464	49,908	1,104	193,476	-
Interfund payables	855,539	123,077	60,608	1,039,224	-
Compensated absences	29,276	16,131	-	45,407	-
Deposits due others	304,260	-	-	304,260	-
Total current liabilities	1,331,539	189,116	61,712	1,582,367	-
Liabilities Payable From Restricted Assets:					
Accrued interest payable from restricted assets	12,496	-	-	12,496	-
Current portion of long-term debt	90,000	-	-	90,000	-
Noncurrent Liabilities:					
Long-term debt	1,450,547	-	-	1,450,547	-
Total liabilities	2,884,582	189,116	61,712	3,135,410	-
NET ASSETS:					
Invested in capital assets, net of related debt	12,832,938	221,184	276,754	13,330,876	-
Restricted for debt service	645,396	-	-	645,396	-
Unrestricted	(400,703)	(31,240)	(61,712)	(493,655)	-
Total net assets (deficit)	\$ 13,077,631	\$ 189,944	\$ 215,042	\$ 13,482,617	\$ -

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

City of Pineville

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds - June 30, 2003

	Business-Type Activities - Enterprise Funds			Governmental	
	Utility System	Sanitation	Nonmajor Funds	Activities Internal Services	
<u>Operating Revenues:</u>					
Service Fees	\$ 2,862,528	\$ 846,398	\$ -	\$ 3,708,926	\$ -
Other	210,294	-	3,525	213,819	-
Total Operating Revenues	3,072,822	846,398	3,525	3,922,745	-
<u>Operating Expenses:</u>					
Salaries	728,625	499,052	-	1,227,677	-
Legal and Professional	119,142	3,605	612	123,359	-
Repairs & Maintenance	306,618	55,657	7,628	369,903	-
Supplies & Chemicals	263,689	39,768	-	303,457	-
Employee Benefits	294,417	107,246	-	401,663	7,657
Landfill Disposal Cost	-	273,088	-	273,088	-
Utilities	394,160	-	6,759	400,919	-
Permits and Testing	29,855	123,418	-	153,273	-
Depreciation	760,182	72,179	18,433	850,794	-
Bad Debts	14,908	-	-	14,908	-
Other	15,958	3,505	4,257	23,720	-
Total Operating Expenses	2,927,554	1,177,518	37,689	4,142,761	7,657
Operating Income (Loss)	145,268	(331,120)	(34,164)	(220,016)	(7,657)
<u>Nonoperating Revenues (Expenses):</u>					
Interest Revenue	15,911	-	-	15,911	5
Interest Expense	(108,070)	-	-	(108,070)	-
Change in Net Assets Before Contributions and Transfers	53,109	(331,120)	(34,164)	(312,175)	(7,652)
<u>Contributions and Transfers:</u>					
Capital Grant Revenue	57,711	-	-	57,711	-
Developer Contributions	274,140	-	-	274,140	-
Operating Transfers In	568,804	276,950	6,000	851,754	6,454
Operating Transfers Out	(973,993)	-	-	(973,993)	-
Change in net assets	(20,229)	(54,170)	(28,164)	(102,563)	(1,198)
Total net assets - beginning	13,097,859	244,115	243,206	13,585,180	1,198
Total net assets - ending	\$ 13,077,630	\$ 189,945	\$ 215,042	\$ 13,482,617	\$ -

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

City of Pineville

Statement of Cash Flows

Proprietary Funds - Year Ended June 30, 2003

	Business-Type Activities - Enterprise Funds			Governmental	
	Utility System	Sanitation	Nonmajor Funds	Total	Activities Internal Services
<u>Cash flow from operating activities:</u>					
Cash received from customers	\$ 3,103,560	\$ 667,799	\$ 3,525	\$ 3,774,884	\$ -
Cash payments to suppliers of goods and services	(1,471,735)	(556,380)	(19,612)	(2,047,727)	(7,657)
Cash payments to employees for services	(741,648)	(511,446)	-	(1,253,094)	-
Net cash provided (used) by operating activities	890,177	(400,027)	(16,087)	474,063	(7,657)
<u>Cash flows from non-capital financing activities:</u>					
Cash advances due to other funds	161,029	123,077	10,087	294,193	-
Operating transfers in	568,804	276,950	6,000	851,754	6,454
Operating transfers out	(973,993)	-	-	(973,993)	-
Net cash provided (used) by non-capital financing activities	(244,160)	400,027	16,087	171,954	6,454
<u>Cash flows from capital and related financing activities:</u>					
Capital Expenditures	(448,250)	-	-	(448,250)	-
Capital Grant Proceeds	57,711	-	-	57,711	-
Principle paid on revenue bonds	(74,453)	-	-	(74,453)	-
Interest paid on debt instruments	(112,516)	-	-	(112,516)	-
Net cash provided (used) by capital and related financing activities	(577,508)	-	-	(577,508)	-
<u>Cash flows from investing activities:</u>					
Interest and other income	15,912	-	-	15,912	5
Net cash provided (used) by investing activities	15,912	-	-	15,912	5
Net increase (decrease) in cash	84,421	-	-	84,421	(1,198)
Beginning cash balance	1,023,228	-	-	1,023,228	1,198
Ending cash balance	1,107,649	-	-	1,107,649	-
Restricted cash and cash equivalents	747,892	-	-	747,892	-
Cash and cash equivalents	\$ 359,757	\$ -	\$ -	\$ 359,757	\$ -

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

City of Pineville

Statement of Cash Flows (Continued) Proprietary Funds - Year Ended June 30, 2003

	Business-Type Activities - Enterprise Funds				Governmental
	Utility		Nonmajor		Activities
	System	Sanitation	Funds	Total	Internal Services
<u>Reconciliation of operating income (loss) to net cash</u>					
Operating income (loss)	\$ 145,268	\$ (331,120)	\$ (34,164)	\$ (220,016)	\$ (7,657)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	760,182	72,179	18,434	850,795	-
(Increase) decrease in accounts receivable	15,559	(178,599)	-	(163,040)	-
(Increase) decrease in other assets	1,114	-	-	1,114	-
(Decrease) increase in accounts and other payables	(32,428)	49,907	(357)	17,122	-
(Decrease) increase in compensated absences	(14,697)	(12,394)	-	(27,091)	-
(Decrease) increase in meter deposits	15,179	-	-	15,179	-
Net cash provided (used) by operating activities	<u>\$ 890,177</u>	<u>\$ (400,027)</u>	<u>\$ (16,087)</u>	<u>\$ 474,063</u>	<u>\$ (7,657)</u>

Supplemental disclosures of cash flow information:

During the year ended June 30, 2003, various developers dedicated utility system improvements to the City. The improvements dedicated to the City were valued at \$274,140. There were no further operating, financing, or investing activities during the year that did not result in cash receipts or payments.

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

City of Pineville

Notes To Financial Statements

June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pineville (the City) was incorporated under the provisions of the Lawrason Act. The City is governed by a Mayor and a Board of Alderman consisting of five (5) members. Services provided by the City include police protection, fire protection, street maintenance, drainage, recreation and sanitation. The City also operates a water distribution system, a sewer system and a municipal airport.

The accompanying policies conform to generally accepted accounting principles for governmental units.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the City is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the City to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the criteria presented above, the City has no component units. In reaching this conclusion, the operations of the City Court System were considered; however it was determined that the City

City of Pineville

Notes To Financial Statements

June 30, 2003

Court System did not meet the necessary criteria for classification as a component unit. Component unit status does not apply because the City Court System is managed by elected officials and it functions in a fiscally independent manner.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the City only applies those FASB pronouncements that were issued on or before November 30, 1989.

The government-wide and fund financial statements present the City's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and business-type (enterprise) funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The City's major funds are described as follows:

Major Governmental Funds

General Fund – The general fund is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Dedicated 1% Sales Tax – The sales tax fund is a special revenue fund used to account for the proceeds of a restricted 1% sales tax that is described in Note 5.

City of Pineville

Notes To Financial Statements

June 30, 2003

Capital Improvements – The capital improvement fund is a capital project fund that is used to account for a portion of sales tax proceeds that are restricted for capital expenditures and related debt service.

Major Business-Type Funds

Utility System – The utility fund is used to account for the operation of the City's water and sewer system, which are supported by user charges.

Sanitation – The sanitation fund is used to account for activity associated with collecting and disposing of garbage and trash. The operation of this fund is supported by user charges.

Business-Type funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for water, sewer service and sanitation.

Basis Of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of account and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgements are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

City of Pineville

Notes To Financial Statements

June 30, 2003

Use Of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates

Restricted Assets:

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

Budget Practices:

Budgets including any amendments are prepared in the manner prescribed by Louisiana revised statutes. City budgets present revenue and expenditures on a basis which is consistent with generally accepted accounting principles. Budgets are adopted annually for the general fund and each special revenue fund. The remaining funds are not required to adopt budgets.

Capital Assets

Capital assets, which include property, equipment and infrastructure, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the City. As required by GASB 34, the City has retroactively capitalized infrastructure acquired by governmental funds since 1980. Infrastructure capitalized retroactively includes streets, sidewalks, bridges, and drainage improvements.

Capital assets are depreciated using the straight-line method and estimated useful lives ranging from 4 to 50 years. Useful lives are selected depending on the expected durability of the particular asset.

Cash And Cash Equivalents:

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments.

Internal Activity:

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

City of Pineville

Notes To Financial Statements

June 30, 2003

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

Compensated Absences

Full time and regular part-time employees earn vacation at rates that vary depending of length of service and civil service classification. Unused vacation that employees are allowed to carryforward is reported as long-term debt. Amounts attributable to the utility fund are reported as an expense during the year when leave is earned. Amounts attributable to governmental funds are reported in the General Long-Term Debt Account Group and an expenditure is reported when the unused vacation is actually liquidated.

Use Of Estimates:

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Financial Reporting Model:

As required by GASB Statement 34, for the year ended June 30, 2003, the City has implemented a new financial reporting model. The new financial reporting model has resulted in numerous changes to accounting methods and financial statement presentation. Due to the nature and volume of the changes, the financial statements for the year ended June 30, 2003 cannot be readily compared to reports issued for previous years.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable for the year ended June 30, 2003 are summarized as follows:

	Governmental Activities	Business-Type Activities	Total
<u>Accounts Receivable</u>			
Charges for Services	\$ —	\$ 898,167	\$ 898,167
Franchise Taxes	67,211	—	67,211
Other	6,223	—	6,223
Total Accounts Receivable	73,434	898,167	971,601
<u>Due From Other Governmental Units</u>			
Sales Taxes	529,701	—	529,701
Grants	177,004	—	177,004
Other	78,573	—	78,573
Total Due From Other Governments	785,278	—	785,278

City of Pineville

Notes To Financial Statements

June 30, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Total Receivables	858,712	898,167	1,756,879
Allowance for Doubtful Accounts	---	(247,380)	(247,380)
<u>Net Receivables</u>	<u>\$ 858,712</u>	<u>\$ 650,787</u>	<u>\$ 1,509,499</u>

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2003, cash and cash equivalents included the following amounts:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash Deposited in Banks	\$ 2,813,681	\$ 1,107,249	\$ 3,920,930
Investment in Money Market Mutual Funds	57,834	---	57,834
Petty Cash	500	400	900
Reconciled Book Balance	2,872,015	1,107,649	3,979,664
Restricted Cash	762,754	747,892	1,510,646
<u>Cash and Cash Equivalents</u>	<u>\$ 2,109,261</u>	<u>\$ 359,757</u>	<u>\$ 2,469,018</u>

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

At June 30, 2003, the City has \$3,920,930 in deposits (\$4,057,487 collected bank balance). These deposits are secured from risk by \$136,624 of federal deposit insurance and \$5,998,486 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 No. 3, State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

City of Pineville

Notes To Financial Statements

June 30, 2003

NOTE 4 - LONG-TERM LIABILITIES

Debt attributable to the acquisition of the City's utility system and the operation of the utility system is reported as an obligation of the City's business-type enterprise funds. Remaining debts are reported as governmental activities. The City's debts are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Certificates of Indebtedness	\$ 1,863,000	\$ ---	\$ 1,863,000
Revenue Bonds	15,000	1,580,000	1,595,000
General Obligation Bonds	945,000	---	945,000
Capital Leases	415,492	---	415,492
Compensated Absences	479,976	45,408	525,384
Total Obligations	3,718,468	1,625,408	5,343,876
Deferred Issue Cost	---	(39,454)	(39,454)
Total Long-term Debt	3,718,468	1,585,954	5,304,422
Due Within One Year	(616,447)	(90,000)	(706,447)
Due in More Than One Year	\$ 3,102,021	\$ 1,495,954	\$ 4,597,975

The liability for compensated absences attributable to governmental funds and activities is typically liquidated by the City's general funds. Changes in the City's long-term debt for the year ended June 30, 2003 are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Certificates of Indebtedness	\$ 2,032,000	\$ ---	\$ 169,000	\$ 1,863,000
Revenue Bonds	20,000	---	5,000	15,000
General Obligations	1,055,000	---	110,000	945,000
Capital Leases	730,924	160,000	475,432	415,492
Compensated Absences	397,429	82,547	---	479,976
Total Governmental Activities	4,235,353	242,547	759,432	3,718,468

City of Pineville

Notes To Financial Statements

June 30, 2003

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business-Type Activities</u>				
Revenue Bonds	1,615,000	860,000	895,000	1,580,000
Compensated Absences	72,496	—	27,088	45,408
Total Business-Type Activities	1,687,496	860,000	922,088	1,625,408
Total Long-term Debts	\$ 5,922,849	\$ 1,102,547	\$ 1,681,520	\$ 5,343,876

Certificates of Indebtedness

The City has issued certificates which are secured by and payable from a pledge of the excess of annual revenues above statutory, necessary and usual charges incurred by the City. Certificates of indebtedness outstanding at June 30, 2003 are described as follows:

\$1,020,000 Taxable Refunding Certificates of Indebtedness, Series 2001B dated bearing interest at a rate of 7.0%. Principle is payable in annual installments ranging from \$85,000 to \$145,000, with the final installment due September 1, 2010. The certificates are callable for redemption at anytime after September 1, 2006.	\$ 935,000
\$650,000 Certificates of Indebtedness, Series 2001A bearing interest at a rates ranging from 4.10% to 6.75%. Principle is payable in annual installments ranging from \$20,000 to \$50,000, with the final installment due September 1, 2021. The certificates are callable for redemption at anytime after September 1, 2009.	630,000
\$630,000 Certificates of Indebtedness, Series 1997 dated May 21, 1997, bearing interest at a rate of 4.95%. Principle is payable in annual installments ranging from \$47,000 to \$81,000, with the final installment due March 1, 2007.	298,000
Total Certificates of Indebtedness	\$ 1,863,000

Revenue Bonds

The City has issued revenue bonds that are secured by and payable solely from a pledge of funds generated by a specific revenue source. Revenue bonds outstanding at June 30, 2003 are described as follows:

City of Pineville

Notes To Financial Statements

June 30, 2003

\$900,000 Utility Revenue Bonds Series 1994, dated July 1, 1994 with an effective rate of interest ranging from 5.0% to 6.0% depending on the length of maturity. The bonds mature serially on May 1st of each year in amounts ranging from \$5,000 to \$75,000. Final maturity is scheduled for May 1, 2019, unless the City elects to redeem the bonds prior to maturity. Bonds become eligible for redemption on May 1, of 2004. \$ 720,000

\$860,000 Utility Revenue Refunding Bonds, Series 2003 dated May 1, 2003 bearing interest at rates ranging from 1.8% to 4.85% depending on the length of maturity. The bonds mature serially on May 1 of each year in amounts ranging from \$55,000 to \$85,000. Final maturity is scheduled for May 1, 2016, unless the City elect to redeem the bonds prior to maturity. Bonds become eligible for redemption on May 1, 2013. 860,000

\$ 1,750,000 Public Improvement Sales Tax Bonds, Series 1980 dated September 1, 1980, bearing interest at a rate of 8.0%. The bonds mature serially on September 1st of each year in amounts ranging from \$5,000 to \$150,000. Final maturity is scheduled for September 1, 2005, unless the City elects to redeem the bonds prior to maturity. Bonds maturing on or after September 1, 1991 are subject to early redemption. The bonds are payable solely from and secured by an irrevocable pledge and dedication of the special one percent (1%) sales and used tax being levied by the City. 15,000

Total Revenue Bonds \$ 1,595,000

General Obligation Bonds

The City has issued has issued general obligations bonds payable from property taxes levied in the manner provided by State Law. General obligations outstanding at June 30, 2003 are described as follows:

\$1,160,000 General Obligation Refunding Bonds, Series 2001 dated June 1, 2001 with interest rates ranging from 3.8% to 4.7%. The bonds mature serially on March 1st of each year in amounts ranging from \$105,000 to \$135,000. Final maturity is scheduled for March 1, 2011, unless the City elects to redeem the bonds prior to maturity. Bonds become subject to early redemption on March 1, 2007. The bonds are secured by the full faith and credit of the City and a special tax levied on property subject to taxation within the boundaries of the City. \$ 945,000

Total General Obligations \$ 945,000

City of Pineville

Notes To Financial Statements

June 30, 2003

Capital Leases

The City has acquired equipment by entering into capital leasing arrangements. For financial reporting purposes, minimum lease payments relating to leased equipment have been capitalized. The leased property is reported by the general fixed assets account group at its original cost. Capital lease obligations outstanding at June 30, 2003 are described as follows:

Lease agreement dated July 25, 2000, executed in exchange for equipment, with an original balance of \$449,859, bearing interest at a rate of 5.6%, payable in 60 monthly installments of \$6,756.	\$ 154,821
Lease agreement dated January 30, 2002, executed in exchange for equipment, with an original balance of \$440,000, bearing interest at a rate of 3.4%, payable in 24 monthly installments of \$18,996.	131,462
Lease agreement dated November 2, 2001, executed in exchange for equipment, with an original balance of \$123,882, bearing interest at a rate of 3.9%, payable in 24 monthly installments of \$5,372.	21,317
Lease agreement dated November 8, 2002, executed in exchange for Police Department equipment with an original balance of \$160,000, bearing interest at a rate of 3.5%, payable in 24 monthly installments of \$6,910.	107,892
Total Capital lease obligations	\$ 415,492

Maturity of Long-term Debt

A schedule of maturities of long-term debt excluding compensated absences and capital leases is presented as follows:

<u>Year Ended June 30th</u>	<u>Principal Installments</u>			<u>Total</u>	<u>Interest</u>
	<u>Certificates of Indebtedness</u>	<u>Revenue Bonds</u>	<u>General Obligations</u>		
<u>Governmental Activities</u>					
2004	\$ 183,000	\$ 5,000	\$ 110,000	\$ 298,000	\$ 157,174
2005	192,000	5,000	115,000	312,000	141,188
2006	207,000	5,000	120,000	332,000	124,142
2007	216,000	---	125,000	341,000	106,213
2008	145,000	---	125,000	270,000	87,391
2009 -- 2013	545,000	---	350,000	895,000	218,091
2014 -- 2018	185,000	---	---	185,000	93,485
2019 -- 2023	190,000	---	---	190,000	26,055
Total Governmental	\$ 1,863,000	\$ 15,000	\$ 945,000	\$ 2,823,000	\$ 953,739

City of Pineville

Notes To Financial Statements

June 30, 2003

<u>Year Ended June 30th</u>	<u>Principal Installments</u>			<u>Total</u>	<u>Interest</u>	
	<u>Certificates of Indebtedness</u>	<u>Revenue Bonds</u>	<u>General Obligations</u>			
<u>Business-Type Activities</u>						
2004	\$ ----	\$ 90,000	\$ ----	\$ 90,000	\$ 74,975	
2005	----	90,000	----	90,000	72,025	
2006	----	95,000	----	95,000	68,776	
2007	----	105,000	----	105,000	64,978	
2008	----	105,000	----	105,000	60,470	
2009 – 2013	----	625,000	----	625,000	221,630	
2014 – 2018	----	465,000	----	465,000	53,409	
2019 – 2023	----	5,000	----	5,000	300	
Total Business-Type	\$ ----	\$ 1,580,000	\$ ----	\$ 1,580,000	\$ 616,563	

Future minimum lease payments due under capital lease arrangements are presented as follows:

<u>Year Ended June 30th</u>	
2004	\$ 318,447
2005	108,709
	<hr/>
	427,156
<u>Amounts representing interest</u>	<u>(11,664)</u>
	<hr/>
<u>Present value of minimum lease payments</u>	<u>\$ 415,492</u>

NOTE 5 – TAXES:

Ad Valorem Taxes:

The City bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Rapides Parish. For the year ended June 30, 2003, the City has levied ad valorem taxes as follows:

City of Pineville

Notes To Financial Statements

June 30, 2003

<u>Description</u>	<u>Mills Levied</u>
Levied for general alimony as permitted by State Law. Revenue from taxes levied for general alimony is reported by the general fund.....	5.91
Levied per proposition originally approved May 14, 1991 and subsequently renewed, authorizing 10 mills for a period of 10 year beginning with 1991 for the purpose of paying salaries of the employees of the fire and police departments. Due to the restricted nature of these taxes, the revenue is reported in a special revenue fund.....	10.00
Levied per proposition approved May 14, 1991, authorizing general obligation debt to run for a period of 20 years payable from a levy of ad valorem taxes. Since these taxes are dedicated to debt service, revenue is reported in a debt service fund.....	<u>3.40</u>
	<u>19.31</u>

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed.

Sales Taxes:

Sales taxes are collected by the Parish of Rapides and remitted to the City on a monthly basis. For the year ended June 30 the City has levied sales taxes as follows:

<u>Description</u>	<u>Percentage Levied</u>
Levied per proposition approved the citizens of Pineville authorizing a tax for the operation of the General Fund. Revenue generated by this tax is reported by the General fund.....	1%
Levied per proposition approved by the citizens of Pineville authorizing a tax "with the avails or proceeds of said tax to be dedicated and pledged to the payment of principle and interest and other amounts required on any sales tax revenue bonds issued by the City for any lawful public purpose; provided, however, that the avails or proceeds of said tax not required in each month for principle, interest and other payments on any sales tax revenue bonds, shall be allocated in an amount equal to 50% of the proceeds of the tax for paying salaries of municipal employees of said City and the remaining proceeds of the tax for capital acquisitions for said City including equipment, furnishings and improvements to municipal property that may include but are not limited to streets, sidewalks, bridges, waterworks, sewers, drains and recreation and fire protection facilities. Since revenue from this source is subject to various restrictions, it is reported in a special revenue fund.....	1%

City of Pineville

Notes To Financial Statements

June 30, 2003

In addition to the taxes described above, the City is also entitled to receive a portion (5%) of a parishwide sales tax. Since the parishwide tax is unrestricted, its proceeds are reported as revenue by the general fund.

NOTE 6 – CAPITAL ASSETS

Changes in governmental and business-type capital assets are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Non Depreciable Capital Assets				
Land	\$ 1,153,509	\$ —	\$ —	\$ 1,153,509
Construction in Process	929,008	125,137	410,942	643,203
Total	<u>2,082,517</u>	<u>125,137</u>	<u>410,942</u>	<u>1,796,712</u>
Depreciable Capital Assets				
Buildings and Improvements	2,980,050	179,935	—	3,159,985
Furniture, Fixtures and Equipment	2,290,902	339,202	176,811	2,453,293
Infrastructure	5,239,497	935,179	—	6,174,676
Accumulated Depreciation	(3,846,188)	(592,356)	(176,811)	(4,261,733)
Total	<u>6,664,261</u>	<u>861,960</u>	<u>—</u>	<u>7,526,221</u>
Total Governmental Activities	<u>\$ 8,746,778</u>	<u>\$ 987,097</u>	<u>\$ 410,942</u>	<u>\$ 9,322,933</u>
<u>Business-Type Activities</u>				
Non Depreciable Capital Assets				
Land	\$ —	\$ —	\$ —	\$ —
Utility-Construction in Process	61,437	113,358	96,627	78,168
Total	<u>61,437</u>	<u>113,358</u>	<u>96,627</u>	<u>78,168</u>
Depreciable Capital Assets				
Sanitation Equipment	799,986	—	—	799,986
Utility Equipment	422,620	220,288	91,015	551,893
Utility System	21,322,030	485,370	—	21,807,400
Airport Improvements	372,511	—	—	372,511
Accumulated Depreciation	(7,990,588)	(850,794)	(91,015)	(8,750,367)
Total	<u>14,926,559</u>	<u>(145,136)</u>	<u>—</u>	<u>14,781,423</u>
Total Business-Type Activities	<u>\$ 14,987,996</u>	<u>\$ (31,778)</u>	<u>\$ 96,627</u>	<u>\$ 14,859,591</u>

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

City of Pineville

Notes To Financial Statements

June 30, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Judicial	\$ 5,163	\$ ---	\$ 5,163
Executive	7,845	---	7,845
Finance & Administrative	40,383	---	40,383
Police Department	151,473	---	151,473
Fire Department	55,809	---	55,809
City Shop	6,534	---	6,534
Street Maintenance	143,900	---	143,900
Drainage Maintenance	66,068	---	66,068
Building Maintenance	44,244	---	44,244
Health & Welfare (Impounding)	4,701	---	4,701
Recreation Department	52,893	---	52,893
Community Centers	13,343	---	13,343
Utility System	---	760,181	72,179
Sanitation	---	72,179	760,181
Airport	---	18,434	18,434
Total Depreciation Expense	<u>\$ 592,356</u>	<u>\$ 850,794</u>	<u>\$ 1,443,150</u>

NOTE 7 – ACCOUNTS AND OTHER PAYABLES

Details related to amounts reported as accounts and other payables are provided as follows:

	<u>Governmental Activities</u>				<u>Total</u>
	<u>General Fund</u>	<u>Dedicated 1% Sales Tax</u>	<u>Capital Improve- ments</u>	<u>Other</u>	
Payable to Vendors	\$ 220,615	\$ ---	\$ 172,485	\$ 207,084	\$ 600,184
Accrued Wages	199,672	---	---	---	199,672
Retainage Payable Under Contractual Arrangements	---	---	5,913	11,159	17,072
Total	<u>\$ 420,287</u>	<u>\$ ---</u>	<u>\$ 178,398</u>	<u>\$ 218,243</u>	<u>\$ 816,928</u>

City of Pineville

Notes To Financial Statements

June 30, 2003

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Utility System</u>	<u>Sanitation</u>	<u>Other</u>	
Payable to Vendors	\$ 110,067	\$ 49,908	\$ 1,104	\$ 161,079
Accrued Wages	29,658	---	---	29,658
Other	2,739	---	---	2,739
Total	<u>\$ 142,464</u>	<u>\$ 49,908</u>	<u>\$ 1,104</u>	<u>\$ 193,476</u>

NOTE 8- RISK MANAGEMENT

The City is exposed to various risk of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City insures against these risks by participation in public entity risk pools that operate as common insurance programs and purchasing commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 - RESTRICTED RESOURCES

Bond covenants require the City to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants.

NOTE 10 -- PENSION PLANS:

Substantially all City employees are members of statewide retirement systems. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards or trustees. Information regarding each plan is presented as follows:

Municipal Employees' Retirement System of Louisiana:

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 City participating in the retirement system 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 percent 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 percent for each year retirement precedes age 62. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent 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

City of Pineville

Notes To Financial Statements

June 30, 2003

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 by state statute.

The System issued 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 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 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. 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 are established and may be amended by state statute. As provided by State law, 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's contributions to the system were equal to the required contributions for the year.

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 $3\frac{1}{3}$ percent 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.

The System issued 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, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060

Funding Policy - Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The

City of Pineville

Notes To Financial Statements

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contribution requirements of plan members and the City are established and may be amended by state statute. As provided by state law, 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's contributions to the plan were equal to the required contributions for the year.

Municipal Police Employees Retirement System of Louisiana

Plan Description - All full-time police department employees engaged in law enforcement are eligible to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at 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 percent 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 previously 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 70800-2250, or by calling (225) 929-7411.

Funding Policy - Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the City is 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's contributions to the plan were equal to the required contributions for the year.

NOTE II – INTERNAL BALANCES

Details related to internal balances are presented as follows:

Governmental Activities	Receivable (Payable)	Purpose
General	\$ (406,767)	Various funds deposit cash into a single bank account and money is disbursed from the account on behalf of these funds. This commingling of resources results in interfund receivables and payables.
Capital Improvements	1,454,405	
Non-major Governmental Funds	(8,414)	
	<u>1,039,224</u>	

City of Pineville

Notes To Financial Statements

June 30, 2003

Governmental Activities	Receivable (Payable)	Purpose
General	114,041	Restricted sales taxes receivable reported by the 1% Dedicated Sales Tax funds must be distributed to other funds upon receipt. Accordingly, interfund balances have been recorded
Capital Improvements	114,041	
1% Dedicated Sales Tax	(228,082)	

Total Governmental	\$ 1,039,224	

Business-Type Activities	Receivable (Payable)	Purpose
Utility	\$ (855,539)	Various funds deposit cash into a single bank account and money is disbursed from the account on behalf of these funds. This commingling of resources results in interfund receivables and payables.
Sanitation	(123,077)	
Non-major	(60,608)	
	\$ (1,039,224)	

NOTE 12 - TRANSFERS

In the ordinary course of business, the City routinely transfers resources between its funds for various reasons. A description of the transfers and the purpose for the transfers is presented as follows:

	Governmental Activities				Total
	General Fund	Dedicated 1% Sales Tax	Capital Improvements	Other	
Transfers In					
Transfers of resources from restricted funds to reimburse other funds for expenditures satisfying the restrictions.	\$ 1,921,001	\$ ---	\$ 1,382,752	\$ ---	\$ 3,303,753
Transfer excess utility revenues to the general fund.	900,000	---	---	---	900,000
Transfers to debt service funds as required by bond indentures.	---	---	---	445,227	445,227
Transfer of money to fund various capital project funds.	---	---	---	10,000	10,000
Total Transfers In	2,821,001	---	1,382,752	455,227	4,658,980

City of Pineville

Notes To Financial Statements

June 30, 2003

	Governmental Activities				Total
	General Fund	Dedicated 1% Sales Tax	Capital Improvements	Other	
Transfers Out					
Transfers of resources from restricted funds to reimburse other funds for expenditures satisfying the restrictions.	---	2,765,504	574,418	538,249	3,878,171
Transfer to eliminate deficit in the City's Sanitation and Airport funds	277,336	---	---	---	277,336
Transfers to debt service funds as required by bond indentures.	288,834	---	82,400	---	371,234
Miscellaneous transfers.	6,454	---	3,545	---	9,999
Total Transfers Out	572,624	2,765,504	660,363	538,249	4,536,740
Net Transfers	\$ 2,248,377	\$ (2,765,504)	\$ 722,389	\$ (83,022)	\$ 122,240

	Business-Type Activities			Total
	Utility System	Sanitation	Other	
Transfers In				
Transfers of resources from restricted funds to reimburse other funds for expenditures satisfying the restrictions.	\$ 568,804	\$ 5,614	\$ ---	\$ 574,418
Transfer from General Fund to eliminate deficit in the City's Sanitation and Airport funds	---	271,336	6,000	277,336
Total Transfers In	568,804	276,950	6,000	851,754
Transfers Out				
Transfer excess utility revenues to the general fund.	900,000	---	---	900,000
Transfers to debt service funds as required by bond indentures.	73,994	---	---	73,994
Total Transfers Out	973,994	---	---	973,994
Net Transfers	\$ (405,190)	\$ 276,950	6,000	\$ (122,240)

NOTE 13 – CONTINGENCIES:

Existing conditions that may have financial consequences are referred to as contingencies. Contingencies existing at June 30, 2003 are described as follows:

City of Pineville

Notes To Financial Statements

June 30, 2003

Litigation:

Like most governmental units with extensive and diverse operations, the City is occasionally named as a defendant in litigation. Based on consultation with City Attorney, the ultimate outcome of litigation that is pending or anticipated cannot be estimated at the present time.

NOTE 14 – FUND DEFICITS:

The City has established a capital project fund to report activity associated with the improvement of Susek Drive. This fund is one of the City's non-major governmental funds and its fund balance at June 30, 2003 was a deficit of \$18,054. This deficit will be eliminated by future transfers from the City's Capital Improvement Fund.

City of Pineville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2003

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes:				
Ad Valorem	\$ 331,300	\$ 325,000	\$ 323,885	\$ (1,115)
Sales	3,666,900	3,668,000	3,645,394	(22,606)
Licenses & Permits				
Franchise Fees	612,000	668,000	657,346	(10,654)
Occupational Licenses	383,000	520,885	520,555	(330)
Other	43,800	28,310	28,312	2
Intergovernmental	148,800	543,475	539,631	(3,844)
Fines and Forfeitures	55,000	57,215	57,215	-
Other	186,700	222,085	241,873	22,868
Total revenues	<u>5,427,500</u>	<u>6,032,890</u>	<u>6,017,211</u>	<u>(15,679)</u>
General Government:				
Current:				
General Government				
Judicial				
City Court	135,800	176,145	176,960	(815)
City Marshal	106,500	131,525	130,620	905
Executive				
Finance & Administrative	1,186,000	1,333,290	1,363,602	(30,312)
Public Safety				
Police Department	2,050,500	2,346,760	2,278,026	68,734
Fire Department	2,253,000	2,451,290	2,366,115	85,175
Public Works				
City Shop	204,200	189,685	194,715	(5,030)
Street Maintenance	431,500	419,685	417,802	1,883
Drainage Maintenance	288,000	370,085	345,426	24,659
Building Maintenance	214,800	201,600	205,535	(3,935)
Health & Welfare (Impounding)	124,700	125,730	124,163	1,567
Culture & Recreation				
Recreation Department	192,300	208,410	194,041	14,369
Community Centers	165,200	158,155	153,815	4,340
Special Events	64,500	28,985	29,756	(771)
Capital Expenditures	-	-	174,864	(174,864)
Debt Service	131,600	216,180	209,375	6,805
Total expenditures	<u>7,762,700</u>	<u>8,540,590</u>	<u>8,548,143</u>	<u>(7,553)</u>

City of Pineville

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Budget and Actual - Year Ended June 30, 2003

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Excess (Deficiency) of				
Revenues Over Expenditures	(2,335,200)	(2,507,700)	(2,530,932)	(23,232)
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	2,819,200	3,107,975	2,821,001	(286,974)
Operating Transfers Out	(375,800)	(599,835)	(572,624)	27,211
Proceeds From Long-Term Debt	-	-	160,000	160,000
Excess (Deficiency) of				
Revenues and Other Sources				
Over Expenditures and Other				
Uses	108,200	440	(122,555)	(122,995)
Fund Balance (Deficit) -				
Beginning of Year	671,412	671,412	671,412	-
Fund Balance (Deficit) -				
End of Year	<u>\$ 779,612</u>	<u>\$ 671,852</u>	<u>\$ 548,857</u>	<u>\$ (122,995)</u>

City of Pineville

Dedicated 1% Sales Tax Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2003

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Sales Taxes	\$ 2,757,200	\$ 2,757,200	\$ 2,765,504	\$ 8,304
Other	-	-	-	-
Total revenues	<u>2,757,200</u>	<u>2,757,200</u>	<u>2,765,504</u>	<u>8,304</u>
General Government:				
Current	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of				
Revenues Over Expenditures	2,757,200	2,757,200	2,765,504	8,304
Other Financing Sources (Uses):				
Operating Transfers Out	<u>(2,757,200)</u>	<u>(2,757,200)</u>	<u>(2,765,504)</u>	<u>(8,304)</u>
Excess (Deficiency) of				
Revenues and Other Sources				
Over Expenditures and Other				
Uses	-	-	-	-
Fund Balance (Deficit) -				
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit) -				
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Pineville

**Dedicated 10 Mill Ad Valorem Tax
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Year Ended June 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Ad Valorem Taxes	\$ 533,500	\$ 547,250	\$ 546,863	\$ (387)
Other	7,100	4,200	4,189	(11)
Total revenues	540,600	551,450	551,052	(398)
<u>General Government:</u>				
Current				
Finance and Administrative	-	-	745	(745)
Total expenditures	-	-	745	(745)
Excess (Deficiency) of Revenues Over Expenditures	540,600	551,450	550,307	(1,143)
<u>Other Financing Sources (Uses):</u>				
Operating Transfers Out	(540,600)	(547,250)	(538,249)	9,001
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	4,200	12,058	7,858
Fund Balance (Deficit) - Beginning of Year	68,577	68,577	68,577	-
Fund Balance (Deficit) - End of Year	\$ 68,577	\$ 72,777	\$ 80,635	\$ 7,858

City of Pineville

Cemetery Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2003

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Other	\$ 2,100	\$ 1,265	\$ 1,259	\$ (6)
Total revenues	<u>2,100</u>	<u>1,265</u>	<u>1,259</u>	<u>(6)</u>
General Government:				
Health & Welfare	2,100	1,550	1,555	(5)
Total expenditures	<u>2,100</u>	<u>1,550</u>	<u>1,555</u>	<u>(5)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(285)	(296)	(11)
Fund Balance (Deficit) - Beginning of Year	<u>89,830</u>	<u>89,830</u>	<u>89,830</u>	<u>-</u>
Fund Balance (Deficit) - End of Year	<u>\$ 89,830</u>	<u>\$ 89,545</u>	<u>\$ 89,534</u>	<u>\$ (11)</u>

City of Pineville

Special Economic Development Projects

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2003

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental	\$ 71,800	\$ 67,895	\$ 90,652	\$ 22,757
Other	11,900	33,580	33,465	(115)
Total revenues	83,700	101,475	124,117	22,642
<u>General Government:</u>				
Culture & Recreation				
Special Events and Projects	83,700	235,168	118,882	116,286
Capital Expenditures	-	119,125	257,252	(138,127)
Total expenditures	83,700	354,293	376,134	(21,841)
Excess (Deficiency) of Revenues Over Expenditures	-	(252,818)	(252,017)	801
<u>Other Financing Sources (Uses):</u>				
Operating Transfers Out	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	(252,818)	(252,017)	801
Fund Balance (Deficit) - Beginning of Year	600,867	600,867	600,867	-
Fund Balance (Deficit) - End of Year	\$ 600,867	\$ 348,049	\$ 348,850	\$ 801

City of Pineville

Combining Balance Sheet Non Major Governmental Funds June 30, 2003

	Dedicated IP	Economic Development Projects	Commodity Fund	Sales Tax Bonds	General (Obligation Series 2001)	Series 2001 A	Series 2001 B	Series 1997	CDMOG		Total
									Street	Non Major Funds	
Cash and Cash Equivalents	\$ 50,000	\$ 192,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 572,254
Receivables (net)	-	44,866	-	-	-	-	-	-	12,342	-	157,208
Interfund Receivables	-	-	-	3,323	-	-	-	-	-	-	3,323
Restricted Cash	-	-	-	15,346	253,210	23,458	433,107	36,624	-	-	762,754
Other Assets	163	-	-	-	-	-	-	-	-	-	163
Total Assets	\$ 90,239	\$ 437,514	\$ 85,554	\$ 15,346	\$ 256,546	\$ 23,458	\$ 433,107	\$ 36,624	\$ 112,342	\$ -	\$ 1,495,703

Liabilities and Fund Balances

Accounts payable	\$ 492	\$ 86,349	\$ 6	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ 137,356	\$ -	\$ 214,243
Interfund Payables	9,103	2,215	-	-	-	-	319	-	-	-	11,737
Total Liabilities	9,595	88,564	6	-	1,000	-	319	-	137,356	-	225,980
Fund Balances											
Unreserved - Reported In	80,635	346,850	85,554	-	-	-	-	-	-	-	219,049
Special Revenue Funds	-	-	-	-	-	-	-	-	18,784	-	18,054
Capital Project Funds	-	-	-	15,346	23,546	23,458	433,107	36,305	-	-	764,758
Debt Service Funds	-	-	-	15,346	23,546	23,458	433,107	36,305	18,784	-	1,265,723
Total Fund Balances	80,635	346,850	85,554	15,346	235,546	23,458	433,107	36,305	18,784	-	1,265,723

Total Liabilities and Fund

Balance	\$ 90,239	\$ 437,514	\$ 85,554	\$ 15,346	\$ 256,546	\$ 23,458	\$ 433,107	\$ 36,624	\$ 112,342	\$ -	\$ 1,495,703
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City of Pineville

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non Major Governmental Funds - Year Ended June 30, 2003

Dedicated ID	Economic	General	Series 2001				Series 2001 B		Series 2007		Total	
			Mill Ad	Development	Conducty	Sales Tax	Series 2001	Series 2001 B	Series 2007	Series 2007	Street	Non Major
Mill Ad	Development	Conducty	Sales Tax	Series 2001	Series 2001 B	Series 2007	Series 2007	Street	Non Major	Street	Non Major	
Mill Ad	Development	Conducty	Sales Tax	Series 2001	Series 2001 B	Series 2007	Series 2007	Street	Non Major	Street	Non Major	
\$ 546,863	\$ -	\$ -	\$ -	\$ 143,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 733,191	
-	50,652	-	-	-	-	-	-	101,415	5,010	-	199,680	
4,119	41,465	1,259	255	3,119	1,325	730	-	77	-	-	47,854	
<u>55,452</u>	<u>124,117</u>	<u>1,259</u>	<u>255</u>	<u>133,447</u>	<u>1,325</u>	<u>730</u>	<u>-</u>	<u>101,512</u>	<u>5,010</u>	<u>-</u>	<u>520,771</u>	

Revenues:

Ad Valorem Taxes	745	1,877	391	146	4	-	-	-	-	-	3,679
Intergovernmental	-	-	-	-	-	-	-	-	-	-	1,555
Other	4,119	41,465	1,259	255	3,119	1,325	730	77	-	-	118,832
Total Revenue	55,452	124,117	1,259	133,447	1,325	730	-	101,512	5,010	-	520,771

Expenditures:

Finance & Administrative	745	1,877	391	146	4	-	-	-	-	-	3,679
Health & Welfare	-	-	-	-	-	-	-	-	-	-	1,555
Special Events & Projects	-	118,832	-	-	-	-	-	-	-	-	118,832
Capital Expenditures	-	157,242	-	-	-	-	-	9,618	7,211	-	336,111
Debt Service	-	-	-	6,300	153,425	81,919	-	-	-	-	459,192
Total Expenditures	745	376,134	1,555	157,745	153,574	81,919	-	91,645	7,211	-	956,419

Excess (Deficiency) of

Revenues Over Expenditures	350,207	(152,017)	(256)	(126)	(149,049)	(81,195)	-	11,864	(1,992)	-	44,553
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Other Financing Sources (Uses):

Operating Transfers In	-	-	-	-	304,247	82,400	-	44	3,097	-	448,772
Operating Transfers Out	(138,200)	-	-	-	-	-	-	-	-	-	(538,240)

Excess (Deficiency) of

Revenues and Other Sources	12,058	(152,017)	(256)	(126)	(149,049)	(81,195)	-	11,864	(1,992)	-	(45,124)
Over Expenditures and Other	-	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	-	-
Fund Balance (Deficit)	12,058	(152,017)	(256)	(126)	(149,049)	(81,195)	-	11,864	(1,992)	-	(45,124)

Beginning of Year

Beginning of Year	58,577	600,967	82,831	223,840	277,909	35,098	-	(30,366)	(1,505)	-	1,310,847
End of Year	80,635	348,950	82,574	255,542	111,075	36,305	-	(18,054)	-	-	1,285,723

CITY OF PINEVILLE

Schedule of Compensation Paid to Board Members **For the year ended June 30, 2003**

Carol Cunningham	\$ 7,800
Carrie Broussard	2,800
Clarence Fields	53,344
Joe Bishop	7,800
Kevin Dorn	7,800
Randy King	5,000
Tom Bouchie	7,800
	<hr/>
Total Compensation	<u>\$ 92,344</u>

CITY OF PINEVILLE

Summary of Findings and Questioned Cost

June 30, 2003

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditor's Report on the financial statements for the City of Pineville as of June 30, 2003 and for the year then ended expressed an unqualified opinion.
- No reportable conditions were included in the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- The results of the audit disclosed no instances of noncompliance that are considered to be material to the financial statements of the City of Pineville.
- Federal assistance expended did not reach the threshold that requires a Single Audit under OMB Circular A-133.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

None

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

None

CITY OF PINEVILLE

Management's Corrective Action Plan

June 30, 2003

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>FINDINGS</u>	<u>RESPONSE</u>
<u>No Findings of this nature.</u>	<u>No response necessary</u>
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
<u>FINDINGS</u>	<u>RESPONSE</u>
<u>No Findings of this nature.</u>	<u>No response necessary</u>
SECTION III MANAGEMENT LETTER	
<u>FINDINGS</u>	<u>RESPONSE</u>
<u>Potentially Illegal Act:</u> In planning and performing our audit of the financial statements of the City of Pineville, Louisiana for the year ended June 30, 2003, we became aware of a potentially illegal act discovered by the City's management. The matter in question involved the acquisition of property at a tax sale by the City's designated tax collector.	<u>Resolved:</u> Management has addressed this matter by replacing its tax collector and reporting the matter to the appropriate authorities.

CITY OF PINEVILLE

Summary of Prior Year Findings and Questioned Cost

June 30, 2003

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>FINDINGS</u>	<u>RESPONSE</u>
<u>2002-1: Segregation of Duties:</u> The City's Human Resources department is responsible for maintaining the City's payroll records and is also responsible for executing electronic transactions that transfer payroll funds from the City's bank account to various employee bank accounts. Allowing a single person to perform both of these functions creates a situation where funds could be misused and the misuse could be concealed by manipulating the personnel records. Accordingly, we recommend revising procedures to eliminate or mitigate the incompatible duties.	<u>2002-1: Resolved:</u> The City has implemented new procedures to compensate for the absence of segregation of duties.
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
<u>NOT APPLICABLE</u>	<u>NOT APPLICABLE</u>
SECTION III MANAGEMENT LETTER	
<u>FINDINGS</u>	<u>RESPONSE</u>
<u>NO FINDINGS OF THIS NATURE</u>	<u>NO RESPONSE NECESSARY</u>

ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
M. DALE HARRINGTON, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
STEVEN E. KIMBALL, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

November 26, 2003

The Honorable Mayor and
Board of Aldermen
City of Pineville, Louisiana

In planning and performing our audit of the financial statements of the City of Pineville, Louisiana for the year ended June 30, 2003, we became aware of a potentially illegal act discovered by the City's management. The matter in question involved the acquisition of property at a tax sale by the City's designated tax collector. It appears to be illegal for the tax collector to acquire property in this manner based on R.S. 47:2194, which reads as follows:

It is unlawful for any sheriff, tax collector or their deputies or any other officer, state, municipal or parochial whose duties are to assess or collect taxes of any nature whatsoever for the state, parish or municipality to buy either directly or indirectly, any property, movable or immovable, sold or offered for sale for taxes. Any sale of such property to such officer shall be null and void.

Management has responded to this matter by terminating the City's employment relationship with the tax collector and reporting the matter to the appropriate authorities. No further action is considered necessary at this time.

We will be available at your convenience if it is necessary to discuss this matter in greater detail.



ROZIER, HARRINGTON & MCKAY,
Certified Public Accountants

-Members-

American Institute of Certified Public Accountants • Society of Louisiana, CPAs