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CITY OF SPRINGHILL, LOUISIANA
Primary Government Financial Statements
As of and for the Year Ended June 30, 2008

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 2/4/09

CITY OF SPRINGHILL, LOUISIANA

**Financial Statements
And Independent Auditor's Reports**

As of and for the Year Ended June 30, 2008

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CITY OF SPRINGHILL, LOUISIANA

Financial Statements
And Independent Auditor's Reports
As of and for the Year Ended June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

WILLIAM E. WEATHERFORD, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

The Honorable Carroll Breaux, Mayor
and the Members of the Board of Aldermen
City of Springhill, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Springhill, Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Springhill, Louisiana's management. My responsibility is to express opinions on these financial statements based on my audit.

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

An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I express no such opinion.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for the component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the amount of assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units that would have been reported is unknown.

In my opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the City of Springhill, Louisiana, as of June 30, 2008, or the changes in financial position thereof for the year then ended.

Further, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, I have also issued my report, dated January 15, 2009, on my consideration of the City of Springhill, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3-13 and on pages 52-55, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Springhill, Louisiana's primary government. The accompanying financial information listed as "other supplementary information" in the table of contents, including the schedule of expenditures of federal awards as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the primary government basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements of the primary government taken as a whole.

William E. Weatherford, CPA, LLC

William E. Weatherford, CPA, LLC
Certified Public Accountant
January 15, 2009

REQUIRED SUPPLEMENTAL INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF SPRINGHILL

CARROLL BREAUX
MAYOR

101 MACHEN DRIVE P.O. BOX 398
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PHONE (318) 539-5681 FAX (318) 539-5683

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JOHNNY CRAIG, Alderman
ROBERT HILBURN, Alderman
RAY HUDDLESTON, Alderman
GARY MONTGOMERY, Alderman
FAYE FARRAR, City Clerk
RONNIE COLEMAN, Chief of Police
E. CHARLES JACOBS, City Attorney
SHELLI MALONE, Assistant City Clerk

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Springhill, Louisiana, (hereafter referred to as the "City") we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City as of and for the year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

FINANCIAL HIGHLIGHTS

The City experienced an increase in its net assets by 8.54% (\$1,657,846) during the fiscal year ended June 30, 2008, compared to an increase of 8.98% (\$1,598,667) during the prior year. As of June 30, 2008 the assets of the City exceeded its liabilities by \$21,061,490. Of this amount \$6,622,509 (31.44%) is reported as "unrestricted net assets" and represents the amount available to be used to meet the City's ongoing obligations to the citizens of Springhill, Louisiana. During the current fiscal year, net assets of the governmental activities increased by \$853,827 (8.00%), while net assets of the business-type activities increased \$804,019 (9.20%).

The City adopted new water and sewer rates which became effective with the July 2007 billing cycle and resulted in an increase in water revenues of approximately \$122,591 and an increase in sewer revenues of approximately \$100,762.

During the year ended June 30, 2008, the City received federal grants totaling \$327,602 which were used primarily to complete the pedestrian/bicycle path and to make improvements to the airport.

The City borrowed \$4,531,046 during the 2008 fiscal year through the Drinking Water State Revolving Funds Program for improvements to the water system.

During the 2008 fiscal year, the City incurred \$94,152 of interest expense related to the Drinking Water State Revolving Funds Program.

During the fiscal year 2008, \$90,000 of sales tax revenues were transferred from the Sales Tax Fund to the Entertainment Fund. The Entertainment Fund incurred an operating loss of \$119,266 during the current year and a \$91,222 operating loss during the prior year.

The City made several major outlays for capital improvements during 2008 including:

- Completion of the City's automated water meter reading system at a cost of \$1,051,759.
- \$4,104,337 for improvements to water distribution system.
- \$211,466 for drainage improvements at the airport.
- \$127,753 for the pedestrian/bicycle path.

- \$64,002 for renovations to the civic center to comply with the requirement of the Americans with Disabilities Act.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules) and other supplementary information in addition to the basic financial statements. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the City - the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail.

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the City's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the City's financial position, which assists users in assessing the City's economic condition at the end of the year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting similar to methods used by most businesses. These statements report all revenues and expenses connected with the year even if cash has not been received or paid and include all assets of the City as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB 34 in regards to interfund activity, payables and receivables. The government-wide financial statements include two statements:

- The *statement of net assets* presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the City's net assets changed during the most recent year using the full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, some revenues and some expenses that are reported in this statement will not result in cash flows until future years. This statement also presents a comparison between direct expenses and program revenues for each function of the City

Both of the above financial statements have separate sections for the two different types of City activities. These activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (grants). Most services normally associated with a city fall into this category, including general government, public safety, streets, parks and recreation, maintenance, airport and transportation.

Business-type Activities – These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the City consists of the provision of water and sewer services, the provision of entertainment and entertainment facilities, and the operation and maintenance of a cemetery for the citizens.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. The funds of the City can be divided into two categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

The two categories of funds are:

- *Governmental funds.* Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements. This approach is known as using the flow of financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the City's finances and assists in determining whether there will be adequate financial resources available to meet the current needs of the City.

Because the focus of the governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, users may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

The City has three governmental funds: the General Fund, the Sales Tax Fund, and the Debt Service Fund, each of which is considered a major fund for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The basic governmental funds financial statements can be found immediately following the government –wide financial statements.

- *Proprietary Funds.* These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The City has three enterprise funds, the Water and Sewer Fund, the Entertainment Fund, and the Cemetery Fund, each of which is considered a major proprietary fund for presentation purposes.

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the funds financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules for the General Fund, the Sales Tax Fund, and the Debt Service Fund as presented in the governmental fund financial statements. Annual budgets are prepared in accordance with the Generally Accepted Accounting Principles (GAAP). Following the required supplementary information is other supplementary information that is provided to show additional details.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

Net Assets

Net assets may serve over time as a useful indicator of the City's financial position. The City's combined net assets (governmental and business-type activities) totaled \$21,061,490 and \$19,403,644 at the end of fiscal years 2008 and 2007, respectively.

At June 30, 2008, \$12,147,657 (57.68%) of the City's net assets reflects the City's investment in capital assets such as land, buildings, equipment, water and sewer plant and improvements, and infrastructure (streets, bridges, lighting, sidewalks and drainage improvements), less any related debt used to acquire those assets that is still outstanding, compared to \$10,939,337 (56.38%) at the end of the prior fiscal year. The City uses these capital assets to provide services to the citizens of Springhill; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

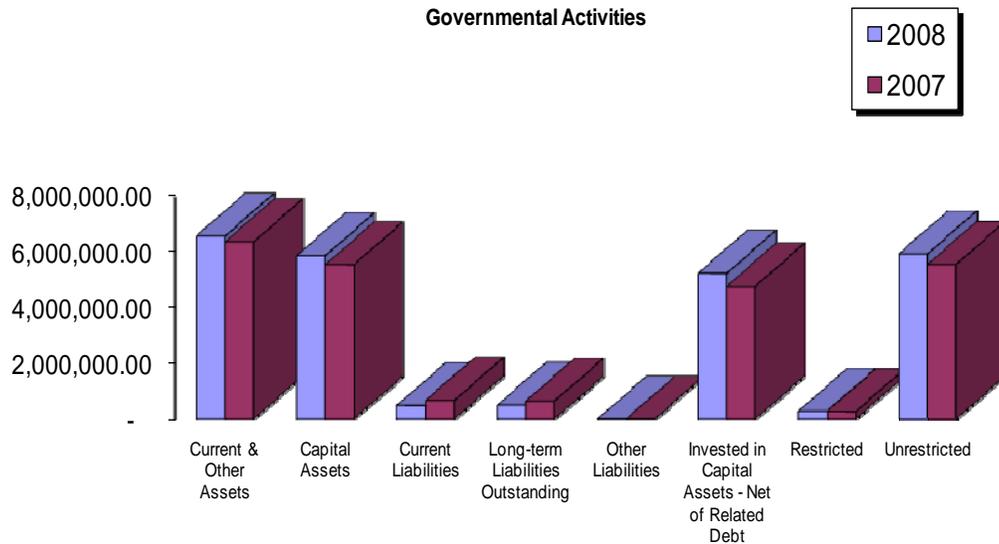
A portion of net assets \$2,245,545 (10.66%) for 2008 and \$1,746,789 (9.00%) for 2007 is restricted by loan covenants for repayment of principal and interest on long-term debt. \$45,779 (.22%) and \$43,061 (.22%) is restricted for providing perpetual care to the cemetery for 2008 and 2007, respectively.

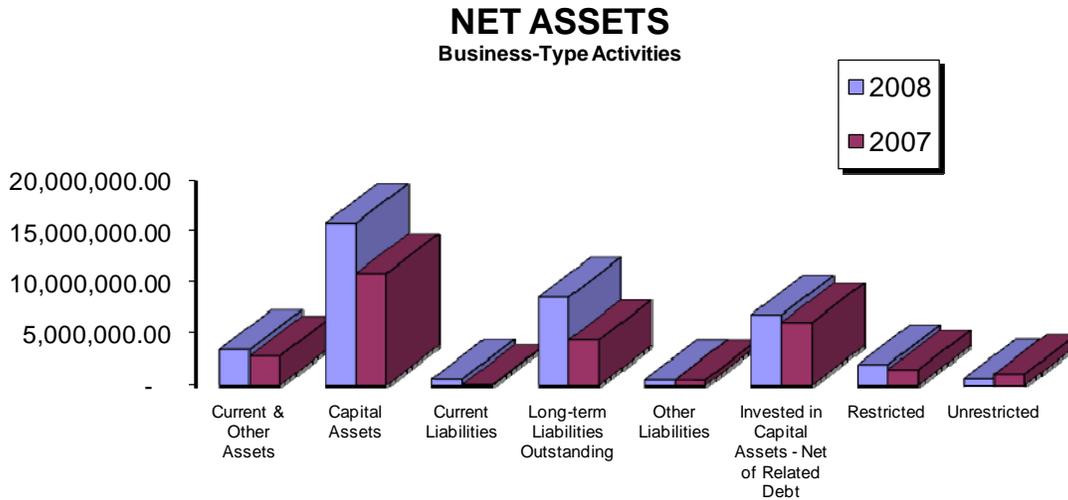
The other portion of the City's net assets, \$6,622,509 (31.44%) for 2008 and \$6,674,457 (34.40%) for 2007 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors at the discretion of the mayor and council of Springhill.

The City continues to maintain a high degree of liquidity with \$7,103,047 (107.27%) of the unrestricted net assets consisting of cash, demand deposits and certificates of deposit as of June 30, 2008.

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 6,603,766	\$ 6,398,106	\$ 3,491,260	\$ 2,863,145	\$ 10,095,026	\$ 9,261,251
Capital Assets	5,901,328	5,578,759	15,844,499	10,924,702	21,745,827	16,503,461
Total Assets	12,505,094	11,976,865	19,335,759	13,787,847	31,840,853	25,764,712
Current Liabilities	485,031	665,964	628,220	75,193	1,113,251	741,157
Long-term Liabilities Outstanding	499,778	644,443	8,606,062	4,441,750	9,105,840	5,086,193
Other Liabilities	-	-	560,272	533,718	560,272	533,718
Total Liabilities	984,809	1,310,407	9,794,554	5,050,661	10,779,363	6,361,068
Invested in Capital Assets - Net of Related Debt	5,271,328	4,808,759	6,876,329	6,130,578	12,147,657	10,939,337
Restricted	281,399	267,945	2,009,925	1,521,905	2,291,324	1,789,850
Unrestricted	5,967,558	5,589,754	654,951	1,084,703	6,622,509	6,674,457
Total Net Assets	\$ 11,520,285	\$ 10,666,458	\$ 9,541,205	\$ 8,737,186	\$ 21,061,490	\$ 19,403,644

NET ASSETS Governmental Activities





Changes in Net Assets

The City’s net assets increased by \$1,657,846 (8.54%) and \$1,598,667 (8.98%) during the years ended June 30, 2008 and 2007, respectively.

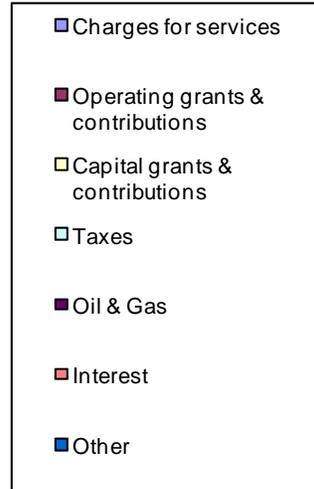
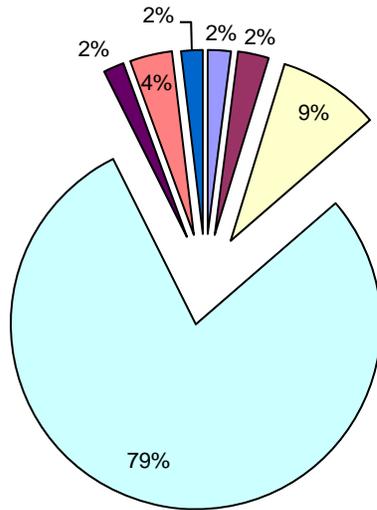
During fiscal year 2008, approximately 27.89% (\$1,737,688) of the City’s total revenues was derived through charges for services compared to 25.90% (\$1,533,382) during the prior year.

Approximately 63.47% (\$3,953,822) was derived from general revenues including taxes, oil and gas revenues, sale of assets, and interest during 2008 compared to 65.22% (\$3,861,315) during the prior year. The City received \$538,438 (8.64%) during 2008 and \$525,712 (8.88%) during 2007 of its total revenues through program grants and contributions.

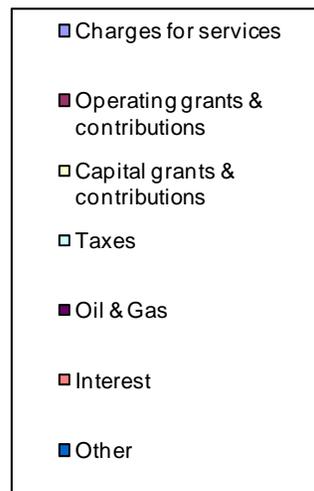
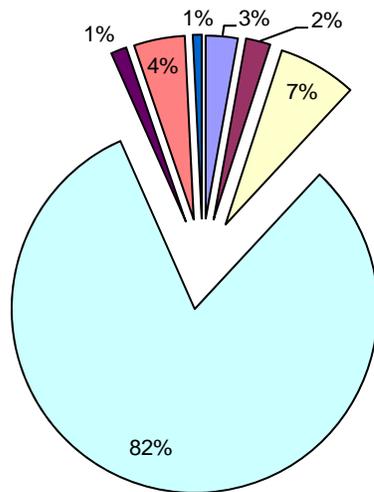
The largest governmental type expenses were for public safety, general government and streets. In fiscal years 2008 and 2007, governmental activity expenses exceeded program revenues resulting in the use of \$2,234,460 and \$2,279,952, respectively, in general revenues, mostly taxes. Expenses exceeded revenues from business-type activities in fiscal year 2008 by \$61,516 while revenues exceeded expenses by \$17,304 during 2007.

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 98,665	\$ 120,582	\$ 1,639,023	\$ 1,412,800	\$ 1,737,688	\$ 1,533,382
Operating grants and contributions	120,890	91,932	1,845	3,000	122,735	94,932
Capital grants and contributions	400,753	295,780	14,950	135,000.00	415,703	430,780
General revenues:						
Taxes	3,548,451	3,480,763	-	-	3,548,451	3,480,763
Oil and gas	80,604	59,140	-	-	80,604	59,140
Interest	165,857	190,972	57,458	87,656	223,315	278,628
Other	84,753	33,159	16,699	9,625	101,452	42,784
Total revenues	<u>4,499,973</u>	<u>4,272,328</u>	<u>1,729,975</u>	<u>1,648,081</u>	<u>6,229,948</u>	<u>5,920,409</u>
Expenses:						
General government	641,921	695,146	-	-	641,921	695,146
Water and sewer	-	-	1,508,796	1,361,489	1,508,796	1,361,489
Public safety	1,116,159	994,102	-	-	1,116,159	994,102
Streets	523,099	529,757	-	-	523,099	529,757
Entertainment	-	-	190,833	153,508	190,833	153,508
Maintenance	170,986	178,378	-	-	170,986	178,378
Parks and recreation	135,498	124,153	-	-	135,498	124,153
Other	267,105	266,710	17,705	18,499	284,810	285,209
Total expenses	<u>2,854,768</u>	<u>2,788,246</u>	<u>1,717,334</u>	<u>1,533,496</u>	<u>4,572,102</u>	<u>4,321,742</u>
Increase (decrease) in net assets before transfers						
	1,645,205	1,484,082	12,641	114,585	1,657,846	1,598,667
Transfers	(791,378)	(1,173,004)	791,378	1,173,004	-	-
Change in net assets	<u>853,827</u>	<u>311,078</u>	<u>804,019</u>	<u>1,287,589</u>	<u>1,657,846</u>	<u>1,598,667</u>
Net assets - beginning	<u>10,666,458</u>	<u>10,355,380</u>	<u>8,737,186</u>	<u>7,449,597</u>	<u>19,403,644</u>	<u>17,804,977</u>
Net assets - ending	<u>\$ 11,520,285</u>	<u>\$ 10,666,458</u>	<u>\$ 9,541,205</u>	<u>\$ 8,737,186</u>	<u>\$ 21,061,490</u>	<u>\$ 19,403,644</u>

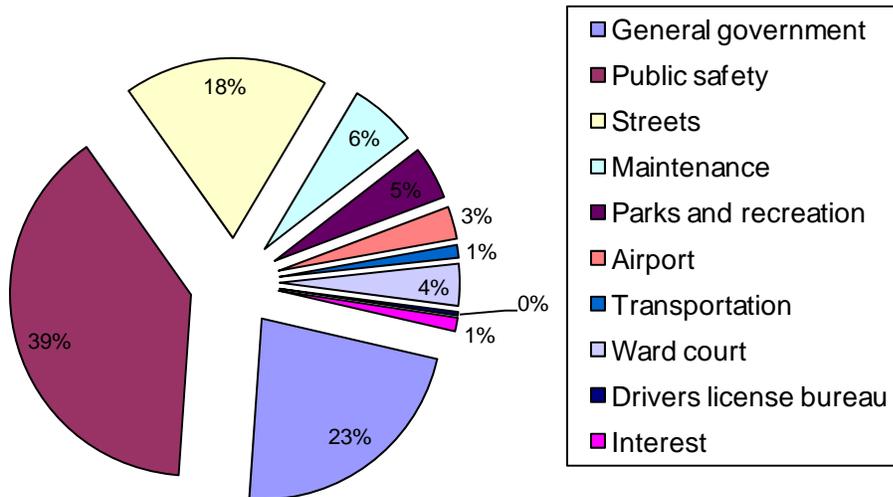
**CHANGES IN NET ASSETS
Governmental Activities - Revenues
2008**



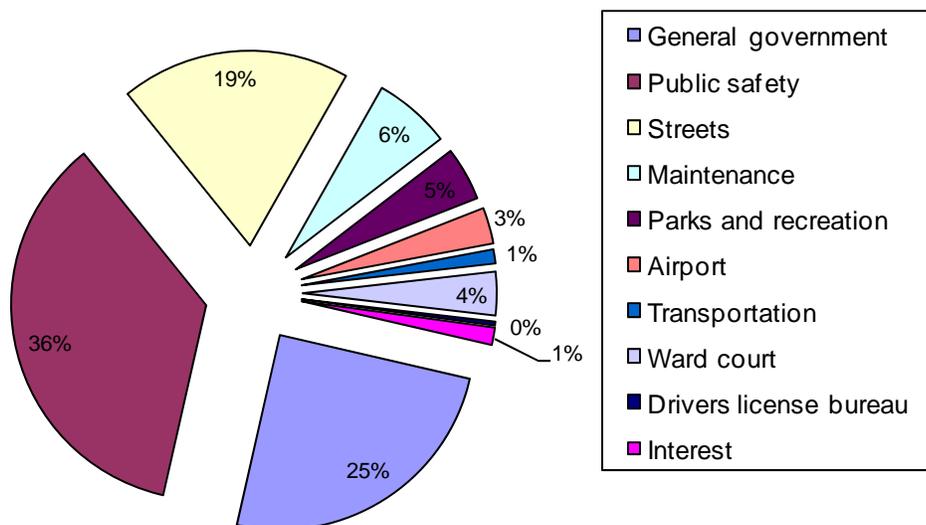
**CHANGES IN NET ASSETS
Governmental Activities - Revenues
2007**



CHANGES IN NET ASSETS Governmental Activities - Expenses 2008



CHANGES IN NET ASSETS Governmental Activities - Expenses 2007



FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,313,937, an increase of \$400,065 (6.76%) in comparison with the prior year. Approximately 95.21% (\$6,012,085) of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

\$20,453 (.32%) of the unreserved fund balance has been designated for specific use. The remainder of fund balance \$281,399 (4.47%) is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service.

As of the end of the current year, the City's general fund, its chief operating fund, reported an ending fund balance of \$1,945,434, an increase of \$125,868 (6.92%) compared to the prior year. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance as of June 30, 2008 (\$1,924,981) represents 61.95% of the total general fund expenditures (\$3,107,332) for the year.

Proprietary Funds

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

At the end of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$9,541,205, an increase of \$804,019 (9.20%) in comparison with the prior year. The Water and Sewer Fund had an increase in net assets of \$824,867 (12.17%), the Entertainment Fund had a decrease in net assets of \$28,921 (1.69%) and the Cemetery Fund had an increase in net assets of \$8,073 (3.18%). \$6,876,329 (72.07%) represents investment in capital assets net of accumulated depreciation and related outstanding debt. A total of \$1,964,146 (20.59%) is restricted for paying debt service and \$45,779 (.48%) is restricted for providing perpetual care for the cemetery. As of June 30, 2008, the proprietary funds had a combined unrestricted fund balance of \$654,951 (6.86%).

GENERAL FUND BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the fiscal year. The Budget policy of the City complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.).

The City's budgets were amended on June 9, 2008 because:

- Public safety expenditures were greater than originally budgeted.

Expenditures and transfers to other funds were \$350,452 less than the amount originally budgeted.

Revenues and transfers from other funds available for expenditure were \$151,224 above the final budgeted amounts.

CAPITAL ASSET ADMINISTRATION

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008 totaled \$28,543,057, net of accumulated depreciation of \$6,797,230, leaving a book value of \$21,745,827. This investment in capital assets consists of land, buildings, equipment, water and sewer plant and improvements, and infrastructure (streets, bridges, lighting, sidewalks and drainage improvements). The total increase in the City's investment in capital assets for the current year was \$5,887,832 about 25.91% in terms of historical cost. Depreciation charges for the year 2008 totaled \$645,466 compared to \$575,289 for the prior year.

DEBT ADMINISTRATION

On June 15, 2007, the City issued Utilities Revenue Bonds, Series 2006, in the amount of \$7,500,000 to provide funds for the construction of water system improvements. The bonds were purchased by the Louisiana Department of Health and Hospitals under the Capitalization Grants for Drinking Water State Revolving Funds Program which is designed to assist public water systems finance infrastructure costs. On June 15, 2007, the City received \$714,124 representing the first advance of the purchase price of the bonds. During the year ended June 30, 2008, the City received an additional \$4,531,046 through the program. The City will begin scheduled repayments of principal on June 1, 2010.

At the year-end the City had \$9,598,170 in bonds outstanding, an increase of \$4,034,046 compared to the prior year as a result the issuance of the Utilities Revenue Bonds, Series 2006 (\$4,531,046) and the normal amortization of debt (\$497,000).

Debt considered a liability of governmental activities (general obligation bonds) decreased \$140,000 while debt considered a liability of the business-type activities (the DEQ Bonds, the 2005 General Obligation Bonds, and the 2006 Utilities Revenue Bonds) increased by \$4,174,046.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ending June 30, 2009 was prepared:

- Interest revenue is expected to decrease during the fiscal year ending June 30, 2009.
- Revenues through federal and state grants are expected to decrease.
- The City provided for expected increases in employee health insurance and fuel costs.
- The City provided for capital outlays totaling \$190,000 during the fiscal year ending June 30, 2009.
- Other revenues and expenditures are anticipated to be consistent with prior years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the City and seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Springhill, P.O. Box 398, Springhill, Louisiana 71075 or by calling (318) 539-5681.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SPRINGHILL, LOUISIANA

Statement of Net Assets

June 30, 2008

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents:			
Cash and demand deposits	\$ 5,346,860	\$ 998,372	\$ 6,345,232
Certificates of deposit	615,000	142,815	757,815
Total cash and cash equivalents	5,961,860	1,141,187	7,103,047
Taxes receivable	256,770	-	256,770
Receivables (net of allowance for uncollectible)	6,524	213,828	220,352
Interest receivable	2,858	2,758	5,616
Due from other governments	89,650	-	89,650
Notes receivable-current	949	-	949
Inventories	6,531	71,997	78,528
Prepaid expenses	85,922	33,658	119,580
Internal balances	182,876	(182,876)	-
Total current assets	6,593,940	1,280,552	7,874,492
Restricted Assets:			
Cash and cash equivalents			
Cash and demand deposits	-	2,027,828	2,027,828
Certificates of deposit	-	75,000	75,000
Total cash and cash equivalents	-	2,102,828	2,102,828
Accrued interest receivable	-	394	394
Total restricted assets	-	2,103,222	2,103,222
Non-current assets:			
Notes receivable-non-current	9,826	-	9,826
Bond issue costs - net	-	107,486	107,486
Capital assets (net of accumulated depreciation)	5,901,328	15,844,499	21,745,827
Total non-current assets	5,911,154	15,951,985	21,863,139
Total Assets	\$ 12,505,094	\$ 19,335,759	\$ 31,840,853

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Statement of Activities

For the Year Ended June 30, 2008

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 641,921	\$ 8,276	\$ 34,519	\$ -
Public safety	1,116,159	68,578	86,371	25,876
Parks and recreation	135,498	8,458	-	108,913
Streets	523,099	-	-	7,360
Airport	82,899	13,353	-	258,604
Transportation	32,684	-	-	-
Maintenance	170,986	-	-	-
Ward court	107,301	-	-	-
Driver's license bureau	9,468	-	-	-
Interest on Long-term debt	34,753	-	-	-
Total governmental activities	<u>2,854,768</u>	<u>98,665</u>	<u>120,890</u>	<u>400,753</u>
Business-type activities:				
Water and sewer	1,508,796	1,551,922	-	14,950
Entertainment	190,833	71,567	345	-
Cemetery	17,705	15,534	1,500	-
Total business-type activities	<u>1,717,334</u>	<u>1,639,023</u>	<u>1,845</u>	<u>14,950</u>
Total Primary Government	<u>\$ 4,572,102</u>	<u>\$ 1,737,688</u>	<u>\$ 122,735</u>	<u>\$ 415,703</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Statement of Activities (Continued)

For the Year Ended June 30, 2008

	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:			
Governmental Activities:			
General government	\$ (599,126)	\$ -	\$ (599,126)
Public safety	(935,334)	-	(935,334)
Parks and recreation	(18,127)	-	(18,127)
Streets	(515,739)	-	(515,739)
Airport	189,058	-	189,058
Transportation	(32,684)	-	(32,684)
Maintenance	(170,986)	-	(170,986)
Ward court	(107,301)	-	(107,301)
Driver's license bureau	(9,468)	-	(9,468)
Interest on Long-term debt	(34,753)	-	(34,753)
Total governmental activities	<u>(2,234,460)</u>	<u>-</u>	<u>(2,234,460)</u>
Business-type activities:			
Water and sewer	-	58,076	58,076
Entertainment	-	(118,921)	(118,921)
Cemetery	-	(671)	(671)
Total business-type activities	<u>-</u>	<u>(61,516)</u>	<u>(61,516)</u>
Total Primary Government	<u>(2,234,460)</u>	<u>(61,516)</u>	<u>(2,295,976)</u>
General Revenues:			
Taxes-			
Property taxes	408,629	-	408,629
Sales and use taxes	2,412,124	-	2,412,124
Franchise taxes	198,816	-	198,816
Video poker	304,109	-	304,109
Licenses	206,812	-	206,812
Other taxes	17,961	-	17,961
Interest and investment earnings	165,857	57,458	223,315
Sale of assets	10,521	16,699	27,220
Oil and gas	80,604	-	80,604
Miscellaneous	74,232	-	74,232
Transfers	(791,378)	791,378	-
Total general revenues and transfers	<u>3,088,287</u>	<u>865,535</u>	<u>3,953,822</u>
Change in net assets	853,827	804,019	1,657,846
Net assets- beginning of year	<u>10,666,458</u>	<u>8,737,186</u>	<u>19,403,644</u>
Net assets - end of year	<u>\$ 11,520,285</u>	<u>\$ 9,541,205</u>	<u>\$ 21,061,490</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

CITY OF SPRINGHILL, LOUISIANA

Balance Sheet – Governmental Funds

June 30, 2008

	Major Funds			Total
	General Fund	Sales Tax Fund	Debt Service	
<u>Assets</u>				
Cash and cash equivalents:				
Cash and demand deposits	\$ 1,685,891	\$ 3,379,570	\$ 281,399	\$ 5,346,860
Certificates of deposit	215,000	400,000	-	615,000
Total cash and cash equivalents	<u>1,900,891</u>	<u>3,779,570</u>	<u>281,399</u>	<u>5,961,860</u>
Taxes receivable	50,116	206,654	-	256,770
Accounts receivable - net	6,524	-	-	6,524
Interest receivable	1,978	880	-	2,858
Due from other governments	89,650	-	-	89,650
Inventories	6,531	-	-	6,531
Notes receivable	10,775	-	-	10,775
Due from other funds	82,876	100,000	-	182,876
Prepaid expenses	85,922	-	-	85,922
Total assets	<u>\$ 2,235,263</u>	<u>\$ 4,087,104</u>	<u>\$ 281,399</u>	<u>\$ 6,603,766</u>
<u>Liabilities</u>				
Accounts payable	\$ 233,020	\$ -	\$ -	\$ 233,020
Bonds due to City Court	25,026	-	-	25,026
Accrued payroll taxes	31,782	-	-	31,782
Total liabilities	<u>289,829</u>	<u>-</u>	<u>-</u>	<u>289,829</u>
<u>Fund Equity</u>				
Fund balances:				
Reserved:				
Debt service	-	-	281,399	281,399
Unreserved:				
Designated:				
LADHH	20,453	-	-	20,453
Undesignated	1,924,981	4,087,104	-	6,012,085
Total fund equity	<u>1,945,434</u>	<u>4,087,104</u>	<u>281,399</u>	<u>6,313,937</u>
Total liabilities and fund equity	<u>\$ 2,235,263</u>	<u>\$ 4,087,104</u>	<u>\$ 281,399</u>	<u>\$ 6,603,766</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

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

June 30, 2008

Fund Balance - total governmental funds		\$ 6,313,937
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Add - capital assets	\$ 7,582,880	
Deduct - accumulated depreciation	<u>(1,681,552)</u>	
		5,901,328
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Those liabilities consist of:		
Accrued legal settlements	(40,000)	
Compensated absences	(14,778)	
General obligation bonds payable	<u>(630,000)</u>	
		(684,778)
Interest on long-term debt is accrued in the statement of net assets but not in the governmental funds		<u>(10,202)</u>
Net assets of governmental activities		<u><u>\$ 11,520,285</u></u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds

For the Year Ended June 30, 2008

	General Fund	Major Funds		Total
		Sales Tax Fund	Debt Service	
Revenues:				
Taxes:				
Ad valorem	\$ 160,286	\$ -	\$ 248,343	\$ 408,629
Sales and Use	-	2,412,124	-	2,412,124
Franchise	209,259	-	-	209,259
Beer	17,961	-	-	17,961
Licenses and permits	215,088	-	-	215,088
Video poker revenue	304,109	-	-	304,109
Fines and forfeitures	41,318	-	-	41,318
Intergovernmental:				
Federal grants:	327,602	-	-	327,602
State funds:	159,162	-	-	159,162
Webster Parish Police Jury	7,360	-	-	7,360
Webster Parish School Board	18,000	-	-	18,000
Interest	54,753	111,104	-	165,857
Rent	7,613	-	-	7,613
Oil and Gas	80,604	-	-	80,604
Contributions	9,519	-	-	9,519
Miscellaneous	115,691	-	-	115,691
Total revenues	<u>1,728,325</u>	<u>2,523,228</u>	<u>248,343</u>	<u>4,499,896</u>
Expenditures:				
Current:				
General government	592,501	34,917	-	627,418
Public safety	1,080,463	-	-	1,080,463
Parks and recreation	119,383	-	-	119,383
Streets	395,989	-	-	395,989
Airport	40,402	-	-	40,402
Transportation	32,684	-	-	32,684
Maintenance	165,720	-	-	165,720
Ward court	107,301	-	-	107,301
Drivers license bureau	8,522	-	-	8,522
Capital outlay	564,367	-	-	564,367
Debt service:				
Principal retirement	-	-	140,000	140,000
Interest	-	-	36,725	36,725
Total expenditures	<u>3,107,332</u>	<u>34,917</u>	<u>176,725</u>	<u>3,318,974</u>
Excess of revenues over (under) expenditures	<u>(1,379,007)</u>	<u>2,488,311</u>	<u>71,618</u>	<u>1,180,922</u>
Other financing sources (uses):				
Sale of assets	10,521	-	-	10,521
Transfers from other funds	1,500,000	-	5,646	1,505,646
Transfers to other funds	(5,646)	(2,227,568)	(63,810)	(2,297,024)
Total other financing sources (uses)	<u>1,504,875</u>	<u>(2,227,568)</u>	<u>(58,164)</u>	<u>(780,857)</u>
Net Change in Fund Balance	125,868	260,743	13,454	400,065
Fund Balance - beginning of year	1,819,566	3,826,361	267,945	5,913,872
Fund Balance - at end of year	<u>\$ 1,945,434</u>	<u>\$ 4,087,104</u>	<u>\$ 281,399</u>	<u>\$ 6,313,937</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

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

For the Year Ended June 30, 2008

Net change in fund balance - total governmental funds	\$ 400,065
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 these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$564,367) exceeds depreciation expense (\$241,798) in the current period.	322,569
Bond principal retirements are a use of current financial resources (expenditure) to governmental funds but the repayment reduces long-term liabilities in the statement of net assets.	140,000
Some revenues reported in the statement of activities do not provide current financial resources and these are not reported as revenues in governmental funds:	(10,445)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest not reflected in governmental funds	1,973
Compensated absences not reflected in governmental funds	<u>(335)</u>
Change in net assets - statement of activities	<u><u>\$ 853,827</u></u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

PROPRIETARY FUNDS

CITY OF SPRINGHILL, LOUISIANA

Statement of Net Assets
Proprietary Funds

June 30, 2008

<u>Assets</u>	Business-type Activities- Enterprise Funds			Total
	Water and Sewer Fund	Entertainment Fund	Cemetery Fund	
Current assets:				
Cash and cash equivalents:				
Cash and demand deposits	\$ 818,551	\$ 9,399	\$ 170,422	\$ 998,372
Certificates of deposit	122,815	-	20,000	142,815
Total cash and cash equivalents	941,366	9,399	190,422	1,141,187
Receivables (net of allowance for uncollectible)	213,649	-	179	213,828
Interest receivable	2,717	-	41	2,758
Inventories:				
Cemetery lots	-	-	71,997	71,997
Due from other funds	-	-	44	44
Prepaid expenses	27,576	5,832	250	33,658
Total current assets	1,185,308	15,231	262,933	1,463,472
Restricted Assets:				
Cash and cash equivalents:				
Cash and demand deposits	2,027,828	-	-	2,027,828
Certificates of deposit	75,000	-	-	75,000
Total cash and cash equivalents	2,102,828	-	-	2,102,828
Accrued interest receivable	394	-	-	394
Total restricted assets	2,103,222	-	-	2,103,222
Non-current assets:				
Bond issue costs - net	107,486	-	-	107,486
Capital assets (net of accumulated depreciation)	14,164,041	1,677,762	2,696	15,844,499
Total non-current assets	14,271,527	1,677,762	2,696	15,951,985
Total assets	\$ 17,560,057	\$ 1,692,993	\$ 265,629	\$ 19,518,679

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Business-type Activities- Enterprise Funds			Total
	Water and Sewer Fund	Entertainment Fund	Cemetery Fund	
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 613,545	\$ 406	\$ 169	\$ 614,120
Accrued expenses	5,114	-	-	5,114
Deferred revenue	-	7,248	1,738	8,986
Due to other funds	174,986	6,067	1,867	182,920
Total current liabilities	793,645	13,721	3,774	811,140
Payable from restricted assets:				
Customer deposits	137,497	-	-	137,497
Bonds Payable	367,000	-	-	367,000
Interest Payable	55,775	-	-	55,775
Total payable from restricted assets	560,272	-	-	560,272
Non-current liabilities:				
Compensated absences	4,892	-	-	4,892
Bonds Payable	8,601,170	-	-	8,601,170
Total non-current liabilities	8,606,062	-	-	8,606,062
Total liabilities	9,959,979	13,721	3,774	9,977,474
<u>Net Assets</u>				
Invested in capital assets, net of related debt	5,195,871	1,677,762	2,696	6,876,329
Restricted for debt service	1,964,146	-	-	1,964,146
Restricted for perpetual care	-	-	45,779	45,779
Unrestricted	440,061	1,510	213,380	654,951
Total net assets	\$ 7,600,078	\$ 1,679,272	\$ 261,855	\$ 9,541,205

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds

For the Year Ended June 30, 2008

	Business-type Activities- Enterprise Funds			Total
	Water and Sewer Fund	Entertainment Fund	Cemetery Fund	
Operating Revenues:				
Charges for services:				
Water sales	\$ 901,267	\$ -	\$ -	\$ 901,267
Sewer service	639,933	-	-	639,933
Ticket and concession sales	-	23,811	-	23,811
Cemetery assessments	-	-	15,534	15,534
Sales of cemetery plots	-	-	3,850	3,850
Rent of facilities	-	47,746	-	47,746
Other operating revenues	10,722	10	-	10,732
Total operating revenues	<u>1,551,922</u>	<u>71,567</u>	<u>19,384</u>	<u>1,642,873</u>
Operating Expenses:				
Cost of sales and services	-	19,866	974	20,840
Water service	708,555	-	-	708,555
Sewer Service	203,087	-	-	203,087
Entertainment facilities	-	96,991	-	96,991
Cemetery maintenance	-	-	13,759	13,759
General and administrative	48,729	9,186	2,133	60,048
Depreciation	338,039	64,790	839	403,668
Total operating expenses	<u>1,298,410</u>	<u>190,833</u>	<u>17,705</u>	<u>1,506,948</u>
Operating income (loss)	<u>253,512</u>	<u>(119,266)</u>	<u>1,679</u>	<u>135,925</u>
Non-operating Revenues (Expenses):				
Interest earnings	52,564	-	4,894	57,458
Interest expense	(205,583)	-	-	(205,583)
Gain on sale of capital assets	12,849	-	-	12,849
Amortization of bond costs	(4,803)	-	-	(4,803)
Total non-operating revenues (expenses)	<u>(144,973)</u>	<u>-</u>	<u>4,894</u>	<u>(140,079)</u>
Income (Loss) Before Contributions and Transfers	<u>108,539</u>	<u>(119,266)</u>	<u>6,573</u>	<u>(4,154)</u>
Contributions and donations	14,950	345	1,500	16,795
Transfers from other funds	701,378	90,000	-	791,378
Change in Net Assets	<u>824,867</u>	<u>(28,921)</u>	<u>8,073</u>	<u>804,019</u>
Total Net Assets - beginning	6,775,211	1,708,193	253,782	8,737,186
Total Net Assets - ending	<u>\$ 7,600,078</u>	<u>\$ 1,679,272</u>	<u>\$ 261,855</u>	<u>\$ 9,541,205</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2008

	Business-type Activities- Enterprise Funds			
	Water and Sewer	Entertainment	Cemetery	Total
	Fund	Fund	Fund	
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 1,509,745	\$ 104,772	\$ 19,392	\$ 1,633,909
Payments to suppliers	(633,917)	(185,038)	(16,449)	(835,404)
Payments to employees	(304,707)	-	-	(304,707)
Net Cash Provided (Used) by Operating Activities	571,121	(80,266)	2,943	493,798
Cash Flows From Noncapital Financing Activities:				
Contributions and donations	14,950	345	1,500	16,795
Customer deposits	5,113	-	-	5,113
Payments to other funds	-	-	(845)	(845)
Proceeds from other funds	717,748	93,074	-	810,822
Net Cash Provided by Noncapital Financing Activities	737,811	93,419	655	831,885
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(4,646,486)	(74,906)	-	(4,721,392)
Proceeds from sale of capital assets	12,849	-	-	12,849
Proceeds from issuance of long-term debt	4,531,046	-	-	4,531,046
Principal paid on capital debt	(357,000)	-	-	(357,000)
Interest paid on capital debt	(194,142)	-	-	(194,142)
Net Cash Used by Capital and Related Financing Activities	(653,733)	(74,906)	-	(728,639)
Cash Flows From Investing Activities:				
Interest received	54,432	-	5,266	59,698
Net Cash Provided by Investing Activities	54,432	-	5,266	59,698
Net Increase in Cash and Cash Equivalents	709,631	(61,753)	8,864	656,742
Cash and Cash Equivalents, Beginning of Year	2,334,563	71,152	181,558	2,587,273
Cash and Cash Equivalents, End of Year	\$ 3,044,194	\$ 9,399	\$ 190,422	\$ 3,244,015
Reconciliation of Total Cash and Cash Equivalents:				
Cash and cash equivalents	\$ 941,366	\$ 9,399	\$ 190,422	\$ 1,141,187
Restricted cash and cash equivalents	2,102,828	-	-	2,102,828
Total	\$ 3,044,194	\$ 9,399	\$ 190,422	\$ 3,244,015

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Statement of Cash Flows
Proprietary Funds (Continued)

For the Year Ended June 30, 2008

	Business-type Activities- Enterprise Funds			
	Water and Sewer Fund	Entertainment Fund	Cemetery Fund	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 253,512	\$ (119,266)	\$ 1,679	\$ 135,925
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	338,039	64,790	839	403,668
Provision for bad debts	800	-	1,898	2,698
Decrease (Increase) in accounts receivable	(25,427)	26,957	(1,827)	(297)
Decrease (Increase) in inventory	-	-	274	274
Decrease (Increase) in prepaid expense	1,427	(1,092)	(26)	309
Increase in accrued expenses	1,265	-	-	1,265
Increase (decrease) in accounts payable	1,239	(58,903)	169	(57,495)
Increase in compensated absences payable	266	-	-	266
Increase (decrease) in deferred revenues	-	7,248	(63)	7,185
Total adjustments	317,609	39,000	1,264	357,873
Net Cash Provided (Used) by Operating Activities	\$ 571,121	\$ (80,266)	\$ 2,943	\$ 493,798
Noncash investing, capital, and financing activities	None	None	None	None

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

Introduction:

The City of Springhill, Louisiana (City), is incorporated under the provisions of the Lawrason Act. The City is located in Northern Louisiana in the Parish of Webster.

The City operates under the Mayor-Board of Aldermen form of government. Elected officials of the City consist of the mayor, five (5) aldermen, and the chief of police, who are elected to four-year terms. The affairs of the City are conducted and managed by the mayor and the board of aldermen.

The accompanying financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

1. Summary of Significant Accounting Policies:

The accounting and reporting framework and the more significant accounting policies of the City are described as follows:

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

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The financial reporting entity consists of (a) the primary government (City), (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the City is 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 for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies (Continued):

A. Reporting Entity – (Continued)

These criteria include:

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 of significance of the relationship

Based on the previous criteria, the City has determined that the following component unit to be part of the reporting entity:

<u>Component Unit</u>	<u>Fiscal Year End</u>	<u>Criteria Used</u>
Springhill City Court	June 30	2 and 3

Complete financial statements of the individual component unit may be obtained from the Court's administrative office or from the Webster Parish Clerk of Court.

The City has chosen to issue financial statements of the primary government (City) only; therefore the previously listed component unit is not included in the accompanying financial statements.

GASB Statement No. 14 provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, the primary government's (City) financial statements are not a substitute for the reporting entity's financial statements. The accompanying primary government financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units except for the exclusion of component units as discussed above.

The financial statements consist of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity and for which the City maintains the accounting records.

The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position and the changes in financial position of the reporting entity of the City of Springhill, Louisiana in conformity with accounting principles generally accepted in the United states of America, but rather are intended to reflect only the financial statements of the primary government (City).

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies (Continued):

- B. Basis of Presentation - The City's primary government basic financial statements have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The primary government basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Both the government-wide and the fund financial statements categorize activities as either governmental activities or business-type activities.
- C. Fund Accounting - The City uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the City are classified into two categories: governmental and proprietary. The City uses governmental funds to account for all or most of the City's general activities, including the collection and disbursement of specifically or legally restricted monies (special revenue funds) and the accumulation of resources and payments made for principal and interest on long-term general obligation debt (debt service funds). These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations.

The following are the City's governmental funds:

General Fund – The General Fund is the primary operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue resources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

- *Sales Tax Fund* – Accounts for the proceeds of a two and one-half percent (2 ½%) sales and use tax that is legally restricted for specific purposes.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for and the payment of general obligation long-term debt principal, interest and related costs.

Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The following is the City's proprietary fund type:

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies (Continued):

C. Fund Accounting – (Continued)

income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's enterprise funds are:

- *Water and Sewer Fund* – Accounts for the provision of water and sewerage services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.
- *Entertainment Fund* – Accounts for the provision of entertainment (primarily concerts) and entertainment facilities to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, and maintenance.
- *Cemetery Fund* – Accounts for the operation of a cemetery for the residents of the City. All activities necessary to operate and maintain the cemetery are accounted for in this fund, including, but not limited to, administration, operations, and maintenance.

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

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Government-wide Financial Statements (GWFS)

The statement of net assets and the statement of activities report information on all the financial activities of the City. Individual funds are not displayed, but the statements distinguish governmental activities, which are normally supported by taxes and intergovernmental revenues, from business-type activities, which rely to a significant extent on fees and charges for support. The effect of most interfund activity is eliminated from these financial statements.

Information contained in these statements reflects the “economic resources” measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment of the City's activities is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues included in the statement of activities are (1) derived directly from

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies (Continued):

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions, and (3) capital grants and contributions. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which functions the revenues are restricted. Revenues not classified as program revenues are presented as general revenues, which include ad valorem taxes, sales taxes, franchise taxes, licenses, interest, and other items not properly included in program revenues.

Fund Financial Statements (FFS)

The fund financial statements report financial information by major and nonmajor funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent (5%) of the corresponding total for all government and enterprise funds combined.
- c. The City's management believes that the fund is particularly important to the financial statement users.

The City considers all of its funds to be "major funds".

Governmental Fund Financial Statements- The amounts reflected in the governmental fund financial statements are accounted for using the "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. When the "current financial resources" measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. Furthermore, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as an other financing source and repayment of long-term debt is reported as an expenditure. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the City's operations.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, however, principle and interest on general obligation long-term debt is recognized when due.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies (Continued):

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The governmental funds use the following practices in recording revenues and expenditures:

Sales tax revenues are recorded in the period in which the underlying exchange has occurred.

Gaming tax revenues are recorded in the period during which the exchange transactions on which the tax is imposed occur.

Fines, forfeitures, fees and court costs are recognized in the period they are collected by the City.

Interest earnings on deposits are recorded when earned.

Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47: 1993 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are generally collected in December of the year assessed and January and February of the ensuing year.

Revenue from federal and state grants is recognized when all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which resources are provided to the City on a reimbursement basis.

Those revenues susceptible to accrual are sales taxes, property taxes, franchise taxes, grants, interest revenue and charges for services. Substantially all other revenues, including fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures are generally recognized under the modified accrual basis when a liability is incurred.

Salaries and related benefits are recorded when employee services are provided to the City.

Purchases of various operating supplies are recorded as expenditures in the accounting period in which they are purchased.

Commitments under construction contracts are recognized as expenditures when earned by the contractor.

Purchases of capital assets in the governmental funds are recorded as expenditures when purchased. Governmental fund capital assets are reported at cost, net of accumulated depreciation, only in the government-wide financial statements.

General obligation bond principal and interest payments are recorded in the governmental funds as expenditures when paid. General obligation bonds outstanding and accrued interest payable at June 30, 2008 have been reported only in the government-wide financial statements.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies (Continued):

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Employees' vested vacation leave is recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2008, has been reported only in the government-wide financial statements.

Transfers between funds that are not expected to be repaid, sales of assets, proceeds from the sale of bonds, capitalized leases, compensation for the loss of assets, and the proceeds from accrued interest on the sale of bonds are accounted for as other financing sources (uses) in the statement of revenues, expenditures, and changes in fund balances. These other financing sources (uses) are recognized at the time the underlying events occur.

Proprietary Fund Financial Statements – The financial statements of the proprietary funds are reported using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows.

The amounts reflected in the proprietary fund financial statements use the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary fund equity is classified as net assets.

- E. Budgets and Budgetary Accounting – Appropriated operating budgets of proposed expenditures and the means of financing them are adopted annually for the general, special revenue and debt service funds. Budgets are adopted consistent with accounting principles generally accepted in the United States of America on the modified accrual basis of accounting. Budget comparison statements included in the accompanying financial statements include the original adopted budgets and final amounts, if amended.

Budgets are adopted on a line item basis. Administrative adjustments can be made on a departmental basis between line item accounts only. Inter-departmental amendments, interfund amendments, and additional appropriations from one fund to another are subject to board approval. The overall level of control is on an inter-departmental basis.

Unexpended appropriations lapse at year-end and must be re-appropriated in the next year's budget to be expended. The City does not utilize encumbrance accounting in its budget practices.

- F. Cash and Cash Equivalents and Investments – Cash and cash equivalents include cash on hand, amounts in demand deposits, interest bearing demand deposits, time deposits (certificates of deposit), and short term, highly liquid investments with original maturities of twelve months or less when purchased. Investments are interest-bearing time deposits with original maturity dated in excess of twelve months when purchased. Investments are stated at cost, which approximates market value.

The City's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the City may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The City may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies (Continued):

F. Cash and Cash Equivalents and Investments (Continued)

Louisiana law and national banks having principal offices in Louisiana. In addition, local Louisiana governments are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana which operates a local government investment pool.

- G. Receivables – In the government-wide financial statement, receivables consist of all revenues earned at year-end and not yet received. Major receivables for the governmental activities include franchise taxes, sales and use taxes, video poker revenues, and grant revenues. Business-type activities report customer's water and sewer service charges as its major receivables. The City uses the allowance method to account for bad debts for garbage fees and water and sewer service charges. Under this method, an estimate is made of the expected bad debts included in the year-end receivables. The provision for bad debts is recorded as a current expenditure with a corresponding increase to the allowance for doubtful accounts. Accounts receivable are reported in the financial statements net of the allowance account. Subsequent charge-offs or recoveries of specific accounts respectively decrease or increase the allowance account.

Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

- H. Capital Assets – Capital assets which include property, plant, equipment, works of art and historical treasures, and infrastructure assets (consisting of roads, bridges, curbs and gutters, streets and sidewalks, lighting systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the in the fund financial statements for the proprietary funds. Capital assets are capitalized at historical cost. Donated assets are recorded at their estimated fair value at the date of donation. The City maintains the following threshold levels for capitalizing assets:

Land	\$ 1
Land improvements	\$ 10,000
Buildings	\$ 10,000
Machinery and equipment	\$ 5,000
Vehicles	\$ 1,000
Infrastructure	\$ 25,000

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives depending upon the expected durability of the particular asset:

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies (Continued):

H. Capital Assets (Continued)

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings	25-40 years
Building improvements	7-30 years
Equipment	5-15 years
Vehicles	5 years
Water, sewer, and drainage systems	25 years
Roads	20-50 years
Traffic control equipment	10 years
Recreational/athletic equipment	10 years
Outdoor / playground equipment	20 years

I. Compensated Absences – The City of Springhill has the following policy relating to vacation and sick leave:

Vacation – Compensated vacation time is calculated based on the individual employee’s anniversary date. Employees must use their vacation time within one year of their anniversary date or it is forfeited. Vacation time is vested and is paid to an employee upon termination.

Sick pay does not vest with the employee (i.e. is not paid upon termination) and is recognized as an expense by the City when actually used by an employee.

There was a total of \$19,670 of accumulated unpaid vacation as of June 30, 2008. The full liability and related costs are reported in the government-wide financial statements. The accumulated unpaid vacation is a reconciling item between the governmental funds and government-wide statements.

J. Interfund Transactions – Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without the expectation of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient fund and as an expenditure or expense by the providing fund. Quasi-external transactions, if any, are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. If repayment is expected, these receivables and payables are classified as “Due from Other Funds” or “Due to Other Funds” in the fund financial statements.

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

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies (Continued):

- K. Prepaid Expenses – Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid expenses.
- L. Restricted Assets – Restricted assets include cash and cash equivalents and accrued interest receivable of the proprietary fund that is legally restricted as to their use. The restricted assets are related to the revenue bond accounts and customer's water and sewer deposits.
- M. Inventories – Inventories in the governmental funds consist of aviation fuel which is valued at cost on a first-in, first out basis. Inventories in the proprietary funds consist primarily of cemetery lots which are valued at cost on a specific identification basis.
- N. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.
- O. Deferred Revenues – Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria have been met or the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.
- P. Long-term Obligations – The accounting treatment of long-term debt depends upon whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt. Interest expense on long-term debt is recognized in the government-wide financial statements as the interest accrues, regardless of when it is due.

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

The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

The City's long term debt consists of general obligation bonds payable, revenue bonds payable, customer's sewer deposits, and vested vacation leave that are not expected to be liquidated with expendable available resources.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies (Continued):

Q. **Fund Equity** – In the government-wide financial statements equity (the difference between assets and liabilities) is classified as net assets and reported in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – Consists of all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved (portions of fund equity not available for appropriation or are legally restricted by outside parties for use for a specific purpose) or unreserved, with unreserved segregated between designated (portions of fund balance which represents management’s plans which are subject to change) and undesignated. Proprietary fund equity is classified the same as in the government-wide financial statements.

In the event that the City, for the same function or purpose, receives restricted and unrestricted monies, the policy is to first apply restricted resources when an expenditure is incurred.

R. **Risk Management** – The City is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for the risk of loss including automobile liability, general liability, property damage, workers compensation, errors and omissions, and surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

2. Cash and Cash Equivalents:

At June 30, 2008, the City had cash and cash equivalents (book balances) totaling \$9,205,875 as follows:

Cash on hand	\$	640
Demand deposits		8,372,420
Certificates of deposit		832,815
		<u>\$ 9,205,875</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

2. Cash and Cash Equivalents (Continued):

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the City of Springhill in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 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. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the City's name.

The cash equivalents of the City are subject to the following risks:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. At year end, the City had collected bank balances of \$9,264,919 which were fully protected by \$300,000 of federal depository insurance, \$95,391 of national credit union share insurance, and the pledge of securities with a market value of \$10,103,749 held by the custodial banks in the name of the City.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The City's certificates of deposit have maturities of one year or less which limits exposure to fair value losses arising from rising interest rates.

Credit Risk: Generally, credit risk is the risk that an issuer will not fulfill its obligation to the holder. The City's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the City may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The City may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

3. Property Taxes:

The City bills and collects its own property taxes, using the assessed values determined by the tax assessor of Webster Parish.

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

For the year ended June 30, 2008, taxes of 20.65 mills were levied on properties with assessed valuations totaling \$19,604,450 and were dedicated as follows:

General alimony	7.95 mills
Retirement of bonded indebtedness	12.70 mills

Total ad valorem taxes levied were \$404,840. Taxes receivable at June 30, 2008, were \$3,220.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

4. Dedication of Proceeds and Flow of Funds – 2 ½ Percent Sales and Use Tax:

On March 30, 1968, the citizens of the City of Springhill approved the assessment of a 1% sales and use tax. Proceeds of this 1% sales and use tax are dedicated to the following purposes:

Constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works, waterworks, garbage collection and waste disposal facilities, fire department stations and related facilities, public parks and recreational facilities, streets, alleys, sidewalks and bridges, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, building improvements and facilities, and for the payment of salaries of non-elected municipal employees; or for any one or more of said purposes; and such tax to be subject to funding into bonds by the City in the manner authorized by Sub-Part D, Part I, Chapter 6, Title 33 of the Louisiana Revised Statutes of 1950 (R.S. 2711, et.seq.).

On November 21, 1987, the citizens of the City of Springhill approved the assessment of a ½% sales and use tax. Proceeds of this ½% sales and use tax are dedicated to the following purposes:

Constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works, waterworks, garbage collection and waste disposal facilities, fire department stations and related facilities, public parks and recreational facilities, streets, alleys, sidewalks and bridges, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, building improvements and facilities, and for the payment of salaries of non-elected municipal employees; or for any one or more of the above said purposes.

In November 1991, the citizens of the City of Springhill approved the assessment of an additional 1% sales and use tax. Proceeds of this 1% sales and use tax are dedicated to the following purposes:

Acquiring, constructing, extending, improving, maintaining and operating sewer and sewerage disposal facilities, roads, streets and bridges, and other capital improvements for the City, and to the retirement of public improvement bonds, the proceeds of which were used for construction of sewer improvements.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

5. Receivables:

As of June 30, 2008, receivables consist of the following:

	General Fund	Sales Tax Fund	Water and Sewer Fund	Entertainment Fund	Cemetery Fund	Total
Taxes receivable:						
Sales taxes	\$ -	\$ 206,654	\$ -	\$ -	\$ -	\$ 206,654
Franchise taxes	41,855	-	-	-	-	41,855
Ad valorem taxes	8,261	-	-	-	-	8,261
	<u>50,116</u>	<u>206,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,770</u>
Accounts	14,774	-	221,449	-	4,611	240,834
Allowance	<u>(8,250)</u>	<u>-</u>	<u>(7,800)</u>	<u>-</u>	<u>(4,432)</u>	<u>(20,482)</u>
	<u>6,524</u>	<u>-</u>	<u>213,649</u>	<u>-</u>	<u>179</u>	<u>220,352</u>
Intergovernmental:						
Local	6,982	-	-	-	-	6,982
State	82,668	-	-	-	-	82,668
	<u>89,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,650</u>
Total	<u>\$ 146,290</u>	<u>\$ 206,654</u>	<u>\$ 213,649</u>	<u>\$ -</u>	<u>\$ 179</u>	<u>\$ 566,772</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

6. Due From/To Other Funds and Operating Transfers:

Amounts due from and to other funds as reported in the fund financial statements at June 30, 2008, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 74,942
General Fund	Entertainment Fund	6,067
General Fund	Cemetery Fund	1,867
Cemetery Fund	Water and Sewer Fund	44
Sales Tax Fund	Water and Sewer Fund	100,000
		<u>\$ 182,920</u>

In the ordinary course of business, the City routinely transfers resources between its funds. Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, and (2) use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Sales Tax Fund	\$ 1,500,000
Water and Sewer Fund	Sales Tax Fund	637,568
Water and Sewer Fund	Debt Service Fund	63,810
Entertainment Fund	Sales Tax Fund	90,000
Debt Service Fund	General Fund	5,646
		<u>\$ 2,297,024</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

7. Capital Assets:

Capital assets and depreciation activity as of and for the year ended June 30, 2008 for the City is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 285,176	\$ -	\$ -	\$ 285,176
Construction in progress	372,572	16,448	(289,845)	99,175
Total capital assets not being depreciated	<u>657,748</u>	<u>16,448</u>	<u>(289,845)</u>	<u>384,351</u>
Capital assets being depreciated:				
Buildings	1,844,909	14,321	-	1,859,230
Improvements other than buildings	131,253	25,614	-	156,867
Equipment	1,072,146	165,540	-	1,237,686
Infrastructure	3,312,457	632,289	-	3,944,746
Total capital assets being depreciated	<u>6,360,765</u>	<u>837,764</u>	<u>-</u>	<u>7,198,529</u>
Less accumulated depreciation for:				
Buildings	472,260	41,750	-	514,010
Improvements other than buildings	55,676	4,291	-	59,967
Equipment	671,518	53,321	-	724,839
Infrastructure	240,300	142,436	-	382,736
Total accumulated depreciation	<u>1,439,754</u>	<u>241,798</u>	<u>-</u>	<u>1,681,552</u>
Total capital assets - net	<u>\$ 5,578,759</u>	<u>\$ 612,414</u>	<u>\$ (289,845)</u>	<u>\$ 5,901,328</u>

Depreciation expense of \$241,798 for the year ended June 30, 2008, was charged to the following governmental functions:

General government	\$ 14,168
Public safety	35,696
Parks and recreation	16,115
Streets	127,110
Airport	42,497
Maintenance	5,266
Drivers license bureau	946
Total	<u>\$ 241,798</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

7. Capital Assets (Continued):

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 48,490	\$ -	\$ -	\$ 48,490
Construction in progress	1,036,352	4,176,653	(331,869)	4,881,136
Total capital assets not being depreciated	<u>1,084,842</u>	<u>4,176,653</u>	<u>(331,869)</u>	<u>4,929,626</u>
Capital assets being depreciated:				
Buildings	1,732,866	386,775	-	2,119,641
Improvements other than buildings	57,997	-	-	57,997
Furniture and fixtures	111,031	-	-	111,031
Equipment	278,480	-	-	278,480
Vehicles	86,649	40,147	-	126,796
Water plant	2,559,194	1,051,759	(66,403)	3,544,550
Sewer plant	9,792,056	-	-	9,792,056
Total capital assets being depreciated	<u>14,618,273</u>	<u>1,478,681</u>	<u>(66,403)</u>	<u>16,030,551</u>
Less accumulated depreciation for:				
Buildings	448,100	52,608	-	500,708
Improvements other than buildings	44,434	1,255	-	45,689
Furniture and fixtures	72,629	7,531	-	80,160
Equipment	203,306	11,205	-	214,511
Vehicles	66,419	11,541	-	77,960
Water plant	1,470,948	56,587	(66,403)	1,461,132
Sewer plant	2,472,577	262,941	-	2,735,518
Total accumulated depreciation	<u>4,778,413</u>	<u>403,668</u>	<u>(66,403)</u>	<u>5,115,678</u>
Total capital assets - net	<u>\$ 10,924,702</u>	<u>\$ 5,251,666</u>	<u>\$ (331,869)</u>	<u>\$ 15,844,499</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

8. Changes in Long-Term Obligations:

The following is a summary of the long-term obligation transactions for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Funds:				
General Obligation Bonds Payable from Tax Revenue:				
2001 Refunding General Obligation Bonds	\$ 770,000	\$ -	\$ (140,000)	\$ 630,000
Compensated absences	14,443	-	335	14,778
Total	<u>\$ 784,443</u>	<u>\$ -</u>	<u>\$ (139,665)</u>	<u>\$ 644,778</u>
Proprietary Funds:				
Sales Tax Bonds:				
1995 DEQ Bonds	\$ 2,565,000	\$ -	\$ (250,000)	\$ 2,315,000
1997 DEQ Bonds	750,000	-	(77,000)	673,000
2005 General Obligation Bonds	765,000	-	(30,000)	735,000
2006 Utility Revenue Bonds	714,124	4,531,046	-	5,245,170
Total revenue bonds	<u>4,794,124</u>	<u>4,531,046</u>	<u>(357,000)</u>	<u>8,968,170</u>
Compensated absences	4,626	266	-	4,892
Total	<u>\$ 4,798,750</u>	<u>\$ 4,531,312</u>	<u>\$ (357,000)</u>	<u>\$ 8,973,062</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

8. Changes in Long-Term Obligations (Continued):

Bonds payable at June 30, 2008, are comprised of the following individual issues:

General Obligation:

\$1,370,000 general obligation refunding bonds dated December 19, 2001; due in annual installments through March 1, 2012; interest at .1% to 5%; secured by levy and collection of ad valorem taxes. Proceeds of this bond issue were used for the refunding of 1992 general obligation bonds

\$ 630,000

\$810,000 general obligation bonds dated July 1, 2005; due in annual installments through March 1, 2025; interest at 3.05% to 4.75%; secured by levy and collection of ad valorem taxes. Proceeds of this bond issue were used for constructing, acquiring, extending and improving sewers and sewerage disposal works.

735,000

Sales Tax Bonds:

\$4,900,000 sales tax bond dated June 23, 1996; due in annual installments beginning March 1, 1998 through March 1, 2016; interest at 2.45% plus a .5% service fee; secured by a 1% sales tax passed in 1991.

2,315,000

\$1,400,000 sales tax bond dated June 4, 1997; due in annual installments beginning March 1, 1998 through March 1, 2016; interest at 2.45% plus a .5% service fee; secured by a 1% sales tax passed in 1991.

673,000

Utility Revenue Bond:

\$7,500,000 utility revenue bond dated April 1, 2007; due in annual installments beginning June 1, 2010 through June 1, 2029; interest at 3.45% plus a .5% service fee; secured by the pledge of the net revenues of the water system.

	<u>5,245,170</u>
	9,598,170
Less current portion	<u>(512,000)</u>
	<u>\$ 9,086,170</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

8. Changes in Long-Term Obligations (Continued):

The total annual requirements to amortize all debt outstanding as of June 30, 2008, including interest payments of \$4,061,791 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Funds:			
General Obligation Bonds			
2009	\$ 145,000	\$ 30,775	\$ 175,775
2010	150,000	24,250	174,250
2011	165,000	16,750	181,750
2012	170,000	8,500	178,500
Total Governmental Funds	<u>630,000</u>	<u>80,275</u>	<u>710,275</u>
Proprietary Funds:			
1995 DEQ Bonds			
2009	260,000	56,718	316,718
2010	270,000	50,348	320,348
2011	275,000	43,733	318,733
2012	285,000	36,995	321,995
2013	295,000	30,012	325,012
2014-2016	930,000	46,060	976,060
Total	<u>2,315,000</u>	<u>263,866</u>	<u>2,578,866</u>
1996 DEQ Bonds			
2009	77,000	16,489	93,489
2010	76,000	14,602	90,602
2011	82,000	12,740	94,740
2012	82,000	10,731	92,731
2013	83,000	8,722	91,722
2014-2016	273,000	13,475	286,475
Total	<u>673,000</u>	<u>76,759</u>	<u>749,759</u>
2005 General Obligation Bonds			
2009	30,000	32,130	62,130
2010	30,000	31,005	61,005
2011	30,000	29,850	59,850
2012	35,000	28,665	63,665
2013	35,000	27,248	62,248
2014-2016	575,000	186,169	761,169
Total	<u>\$ 735,000</u>	<u>\$ 335,067</u>	<u>\$ 1,070,067</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

8. Changes in Long-Term Obligations (Continued):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Proprietary Funds (Continued):			
2006 Utilities Revenue Bonds			
2009	\$ -	\$ 258,750	\$ 258,750
2010	253,000	258,750	511,750
2011	263,000	250,022	513,022
2012	274,000	240,948	514,948
2013	284,000	231,495	515,495
2014-2029	<u>6,426,000</u>	<u>2,065,859</u>	<u>8,491,859</u>
Total	<u>7,500,000</u>	<u>3,305,824</u>	<u>10,805,824</u>
 Total Proprietary Funds	 <u>11,223,000</u>	 <u>3,981,516</u>	 <u>15,204,516</u>
 Totals	 <u>\$ 11,853,000</u>	 <u>\$ 4,061,791</u>	 <u>\$ 15,914,791</u>

9. Restricted Assets- Proprietary Fund Type (Water and Sewer Fund)

Certain resources set aside for repayment of bonded indebtedness and customers' utility deposits are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond ordinances or deposit agreements.

Water and sewer revenue bonds are obligations of the City solely secured by a pledge of the net revenues of the water and sewer systems. The revenue of the water and sewer systems and the various depository accounts established by the bond ordinances collateralize the bonds. The ordinances provide that the revenue of the systems is to be used first to pay the reasonable and necessary operating and maintenance expenses of the systems and then to meet the funding covenants of the obligations. Any remaining revenues may then be used for any lawful purpose.

The ordinances authorizing the water and sewer revenue bonds require the City to establish certain depository accounts for each issue. The City is required to make monthly deposits to these accounts to satisfy the requirements of the related bond covenants to assure payment of principal and interest when due.

The bond covenants of the water and sewer revenue bonds require the City to establish the following accounts:

Sales Tax Bonds (1995 & 1997 DEO Bonds), Sinking Fund - The City must transfer into this fund, on or before the 20th day of each month, an amount equal to the principal and interest accruing on the outstanding principal amount of the obligation for such calendar month, together with such additional proportionate sum as may be required to pay principal and interest as the same respectively become due.

Sales Tax Bonds (1995 & 1997 DEO Bonds), Reserve Fund - The City must transfer into this fund, on or before the 20th day of each month, an amount equal to 25% of the amount paid into the Sinking Fund until an amount equal to the reserve requirement is on deposit therein.

Utilities Revenue Bonds, Series 2006, Sinking Fund - The City must transfer into this fund, on or before the 20th day of each month, an amount equal to the principal, interest, and administrative fee accruing on the outstanding principal amount of the obligation for such calendar month, together with such additional proportionate sum as may be required to pay principal, interest and administrative fee as they become due.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

9. Restricted Assets- Proprietary Fund Type (Water and Sewer Fund) (Continued):

Utilities Revenue Bonds, Series 2006, Reserve Fund – The City must transfer into this fund, on or before the 20th day of each month, an amount equal to 25% of the amount paid into the Sinking Fund until an amount equal to the reserve requirement (the lesser of 10% of the proceeds of the bonds or the highest combined principal and interest requirements for any succeeding year) is on deposit therein.

Utilities Revenue Bonds, Series 2006, Depreciation and Contingency Replacement Fund – The City must transfer into this fund, on or before the 20th day of each month, an amount equal to 5% of the revenues of the system for the preceding month, provided that such sum is available after provision is made for the payments required, until a sum of \$200,000 is on deposit therein.

At June 30, 2008, the City was not in compliance with the funding requirements related to the Utilities Revenue Bonds, Series 2006, Depreciation and Contingency Replacement Fund.

Restricted assets consisted of the following at June 30, 2008

DEQ Bonds Sinking Fund	\$ 389,970
DEQ Bonds Reserve Fund	503,853
DEQ Bonds Depreciation Reserve Fund	737,063
Utility Revenue Bonds Sinking Fund	247,968
Utility Revenue Bonds Reserve Fund	85,293
Water Improvement Construction	1,049
Customer meter deposits	137,632
Accrued interest receivable from restricted assets	394
	<u>\$ 2,103,222</u>

10. Notes Receivable:

The City has a note receivable at June 30, 2008 as follows:

On May 15, 2002, the City sold the Spring Theatre for \$15,500; due in monthly installments of \$131 for 15 years with interest at 6%.

The expected cash flows from this sale are as follows:

	Spring Theatre		Total
	Principal	Interest	
2009	\$ 949	\$ 621	\$ 1,570
2010	1,007	563	1,570
2011	1,070	500	1,570
2012	1,135	435	1,570
2013	1,205	365	1,570
2014-2017	5,409	666	6,075
	<u>\$ 10,775</u>	<u>\$ 3,150</u>	<u>\$ 13,925</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

11. Retirement Systems:

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

Municipal Employees Retirement System of Louisiana (System)

A. 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 are members of Plan A.

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 City funds and all elected City officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

B. Funding Policy

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 13.50% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City of Springhill, Louisiana are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Springhill, Louisiana's contributions to the System under Plan A for the years ending June 30, 2008, 2007, and 2006 were \$108,545, \$128,225 and \$158,057, respectively, equal to the required contributions for each year.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

11. Retirement Systems (Continued):

Municipal Police Employees Retirement System of Louisiana (System):

- A. Plan Description – All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or 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 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

- B. Funding Policy – Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City of Springhill, Louisiana, is required to contribute at an actuarially determined rate. The current rate is 13.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Springhill, Louisiana's contributions to the System for the year ending June 30, 2008, 2007 and 2006 were \$54,362, \$56,300, and \$52,508, respectively, equal to the required contributions for each year.

12. Other Post Employment Benefits:

The City provides the opportunity for retired employees to participate in the group health care benefits offered to City employees. Substantially all of the City's employees become eligible for these benefits if they reach normal retirement age while working for the City. These benefits for retirees, and similar benefits for active employees, are provided through an insurance company. The monthly premiums for retirees are fully paid by the retired employees.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, establishes standards for the measurement, recognition and display of other post employment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information. Generally, GASB Statement No. 45 requires the City to record the annual required contribution to fully fund the benefits as an expense.

The annual required contribution is defined as the employer's required contributions for the year, calculated in accordance with certain parameters, and includes (a) the normal cost for the year and (b) a component for amortization of the total unfunded actuarial accrued liabilities (or funding excess) of the plan over a period not to exceed thirty years. The amount by which the net obligation for the plan exceeds the amount actually funded by the City will be recognized as a liability.

Under the standards of GASB Statement No. 45, the City is considered a "Phase 3" government with the standards becoming effective for periods beginning after December 15, 2008.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2008

13. Commitments and Contingencies:

Lawsuits

At June 30, 2008, the City of Springhill was a defendant in various lawsuits. The City's legal counsel has reviewed the claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City and to arrive at an estimate of the amount or range of potential loss to the City not covered by insurance. As a result of the review, it was determined that the City was subject to a potential loss of \$40,000 which has been accrued and reported in the government-wide financial statements.

Grant Audit

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

Construction Commitments

Public bids for the construction of the Springhill Water System Improvements, Phase One, Water Main Replacement, were accepted and opened on May, 22, 2007. The contract was awarded to Wicker Construction, Inc. in the amount of \$5,034,614 on June 11, 2007. As of June 30, 2008, this project was 68% complete. Funding for this project is provided by the Utilities Revenue Bonds, Series 2006.

The City of Springhill has entered an agreement with Ark-La Tex Shop Builders for improvements to the airport terminal costing \$21,905. As of June 30, 2008 the contract was approximately one third completed and the City had a remaining contractual obligation for \$14,603.

Settlement with the United States Department of Justice

On August 22, 2005, the City entered a settlement agreement with the United States Department of Justice, Civil Rights Division, concerning the City's compliance with various requirements of the Americans with Disabilities Act. The City agreed to take appropriate remedial action in accordance with an agreed timetable to satisfy several deficiencies. The City has expended significant funds to bring its buildings and parks into compliance with the ADA but has not timely completed several actions required by the settlement agreement. The City believes that it is acting in good faith to meet its obligations; however, the Department of Justice may, at its option, file civil action in federal district court to enforce the terms of the agreement.

14. Related Party Transactions:

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended June 30, 2008.

14. On-Behalf Payments:

City employees received a total of \$67,675 in supplemental pay from the State of Louisiana. The City is responsible for withholding taxes from the employees and paying the City's matching portion of social security taxes for the amount of supplemental pay received. The supplemental pay received by the City is reported as state grant revenue and is included as public safety and ward court expenditures.

REQUIRED SUPPLEMENTAL INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

CITY OF SPRINGHILL, LOUISIANA

Budgetary Comparison Schedule
General Fund

For the Year Ended June 30, 2008

	General Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 141,600	\$ 153,100	\$ 160,286	\$ 7,186
Franchise	190,000	200,000	209,259	9,259
Beer	10,000	17,854	17,961	107
Licenses and permits	202,000	207,700	215,088	7,388
Video Poker Revenue	200,000	250,000	304,109	54,109
Fines and forfeits	40,000	40,000	41,318	1,318
Intergovernmental:				
Federal Grants	457,500	312,620	327,602	14,982
State funds	61,100	158,768	159,162	394
Webster Parish Police Jury	6,778	7,360	7,360	-
Webster Parish School Board	18,000	18,000	18,000	-
Interest	60,000	60,000	54,753	(5,247)
Rent	6,340	7,340	7,613	273
Oil and Gas	55,000	55,000	80,604	25,604
Contributions	4,400	12,290	9,519	(2,771)
Miscellaneous	72,270	77,070	115,691	38,621
Total revenues	<u>1,524,988</u>	<u>1,577,102</u>	<u>1,728,325</u>	<u>151,223</u>
Expenditures:				
Current:				
General government	593,872	621,627	592,501	29,126
Public safety	1,048,350	1,097,825	1,080,463	17,362
Parks and recreation	124,600	129,600	119,383	10,217
Streets	385,600	409,600	395,989	13,611
Airport	42,500	43,900	40,402	3,498
Transportation	35,800	35,800	32,684	3,116
Maintenance	192,950	177,650	165,720	11,930
Ward Court	109,958	113,158	107,301	5,857
Driver's License Bureau	10,800	10,800	8,522	2,278
Capital Outlay	919,000	680,060	564,367	115,693
Total expenditures	<u>3,463,430</u>	<u>3,320,020</u>	<u>3,107,332</u>	<u>212,688</u>
Excess of revenues over (under) expenditures	<u>(1,938,442)</u>	<u>(1,742,918)</u>	<u>(1,379,007)</u>	<u>363,911</u>
Other financing sources :				
Sale of assets	-	10,520	10,521	1
Transfers from other funds	1,500,000	1,500,000	1,500,000	-
Transfers to other funds	-	-	(5,646)	(5,646)
Total other financing sources	<u>1,500,000</u>	<u>1,510,520</u>	<u>1,504,875</u>	<u>(5,645)</u>
Net Change in Fund Balance	<u>(438,442)</u>	<u>(232,398)</u>	<u>125,868</u>	<u>358,266</u>
Fund balance at beginning of year	<u>1,819,566</u>	<u>1,819,566</u>	<u>1,819,566</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,381,124</u>	<u>\$ 1,587,168</u>	<u>\$ 1,945,434</u>	<u>\$ 358,266</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Budgetary Comparison Schedule
Sales Tax Fund

For the Year Ended June 30, 2008

	Sales Tax Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes:				
Sales and Use	\$ 2,300,000	\$ 2,300,000	\$ 2,412,124	\$ 112,124
Interest	120,000	120,000	111,104	(8,896)
Total revenues	<u>2,420,000</u>	<u>2,420,000</u>	<u>2,523,228</u>	<u>103,228</u>
Expenditures:				
Current:				
General government	33,000	35,000	34,917	83
Total expenditures	<u>33,000</u>	<u>35,000</u>	<u>34,917</u>	<u>83</u>
Excess of revenues over expenditures	<u>2,387,000</u>	<u>2,385,000</u>	<u>2,488,311</u>	<u>103,311</u>
Other financing sources (uses):				
Transfers to other funds	(2,317,366)	(2,287,366)	(2,227,568)	59,798
Total other financing sources (uses)	<u>(2,317,366)</u>	<u>(2,287,366)</u>	<u>(2,227,568)</u>	<u>59,798</u>
Net Change in Fund Balance	69,634	97,634	260,743	163,109
Fund balance at beginning of year	3,826,361	3,826,361	3,826,361	-
Fund balance at end of year	<u>\$ 3,895,995</u>	<u>\$ 3,923,995</u>	<u>\$ 4,087,104</u>	<u>\$ 163,109</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Budgetary Comparison Schedule

Debt Service Fund

For the Year Ended June 30, 2008

	Debt Service Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 230,000	\$ 240,000	\$ 248,343	\$ 8,343
Interest	-	-	-	-
Total revenues	<u>230,000</u>	<u>240,000</u>	<u>248,343</u>	<u>8,343</u>
Expenditures:				
Debt Service:				
Principal retirement	140,000	140,000	140,000	-
Interest	<u>36,725</u>	<u>36,725</u>	<u>36,725</u>	<u>-</u>
Total expenditures	<u>176,725</u>	<u>176,725</u>	<u>176,725</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>53,275</u>	<u>63,275</u>	<u>71,618</u>	<u>8,343</u>
Other financing sources (uses):				
Transfers from other funds	-	-	5,646	5,646
Transfers to other funds	-	(63,510)	(63,810)	(300)
Total other financing sources (uses)	<u>-</u>	<u>(63,510)</u>	<u>(58,164)</u>	<u>5,346</u>
Net Change in Fund Balance	53,275	(235)	13,454	13,689
Fund balance at beginning of year	<u>267,945</u>	<u>267,945</u>	<u>267,945</u>	<u>-</u>
Fund balance at end of year	<u>\$ 321,220</u>	<u>\$ 267,710</u>	<u>\$ 281,399</u>	<u>\$ 13,689</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Notes to Budgetary Comparison

June 30, 2008

Budgetary Information

The proposed budgets for the June 30, 2008 fiscal year was made available for public inspection at the office of the mayor in the City Hall of Springhill, Louisiana, on May 14, 2007. The proposed budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Budgets for governmental funds are adopted annually on the modified accrual basis of accounting. The budgets for the fiscal year ended June 30, 2008, were adopted on June 11, 2007.

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

1. The City Clerk prepares a proposed budget and submits it to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an enabling ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. The budget is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. The budgetary information presented in these financial statements is as so amended. Management may amend the budget only below the department level.
6. The City utilizes formal budgetary integration as a management control device for all funds.

The Louisiana Local Government Budget Act provides that “the total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing year”. The “total estimated funds available” is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year.

Through the budget, the City allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the City’s economic resources. It establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City’s performance.

Expenditures may not legally exceed appropriations at the fund level. Appropriations that are not expended lapse at year end.

The budgets for the year ended June 30, 2008 were amended on June 9, 2008.

The Budgetary Comparison Schedules present comparisons of the original and final legally adopted budgets with the actual data.

OTHER SUPPLEMENTAL INFORMATION

CITY OF SPRINGHILL, LOUISIANA

Schedule of Mayor and Aldermen's Compensation

For the Year Ended June 30, 2008

The schedule of compensation paid to the mayor and the aldermen is presented in compliance with House Concurrent Resolution No. 54 Of the 1979 Session of the Louisiana Legislature. Compensation of the mayor and aldermen is included in the general government expenditures of the General Fund. During 2008, the following amounts were paid to the Mayor and City Aldermen:

	<u>Meetings Attended</u>	<u>Pay Received</u>	<u>Expense Re-imbursments</u>	<u>Total</u>
Carroll Breaux, Mayor	12	\$ 44,928	\$ 6,823	\$ 51,751
Aldermen:				
Edward Bankhead - District 1	14	9,732	467	10,199
Jimmy W. Morgan - District 2	7	5,992	-	5,992
Minnie Morgan - District 2	3	2,996	-	2,996
Robert Hilburn - District 3	14	8,988	-	8,988
Gary Montgomery - District 4	14	9,113	-	9,113
W. Ray Huddleston - District 5	11	8,988	436	8,988
Totals		<u>\$ 90,737</u>	<u>\$ 7,727</u>	<u>\$ 98,028</u>

The term of current elected officials expires on December 31, 2010.

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor Name/ Program Title	CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
ENVIRONMENTAL PROTECTION AGENCY			
Louisiana Department of Health and Hospitals, Office of Public Health Capitalization Grants for Drinking Water State Revolving Funds (Drinking Water State Revolving Funds)	66.468	1119028-01	<u>4,531,046</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration Louisiana Department of Transportation and Development Highway Planning and Construction Program	20.205	744-60-0010	\$ 108,913
Federal Aviation Administration Airport Improvement Program	20.106	3-22-0049-005-2007	211,466
Total United States Department of Transportation			<u>320,379</u>
UNITED STATES DEPARTMENT OF EDUCATION			
Office of Safe and Drug-free Schools Governor's Safe and Drug-free Schools and Communities Program Safe and Drug-free Schools and Communities Program	84.186	N/A	<u>3,435</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
Governor's Office of Homeland Security and Emergency Preparedness State Domestic Preparedness Equipment Support Program	97.004	N/A	<u>5,207</u>
UNITED STATES DEPARTMENT OF JUSTICE			
Office of Justice Programs, Bureau of Justice Assistance Edward Byrne Memorial Formula Grant Program	16.579	N/A	<u>1,995</u>
Total Federal Financial Assistance			<u><u>\$ 4,862,062</u></u>

The schedule of expenditures of federal awards includes the federal grant activity of the City of Springhill, Louisiana and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the primary government financial statements.

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Insurance in Force

June 30, 2008

Insurer	Risks Covered	Policy Amount	Expiration Date
St. Paul Travelers	Automobile Liability	\$500,000 - combined single limit	June 16, 2009
XL Insurance	Airport Liability Hanger Liability	\$1,000,000 - combined bodily injury & property damage \$200,000 - each aircraft - \$600,000 each occurrence	June 22, 2009
United National Insurance Company	Law Enforcement Liability	\$500,000	June 16, 2009
St. Paul Travelers	Public Entity Liability	\$500,000 - each occurrence \$500,000 - advertising \$500,000 - sewer backup \$500,000 - wrongful act \$1,000,000 - general aggregate	June 16, 2009
Louisiana Workers' Compensation Corporation	Workers Compensation	Statutory limits \$100,000 - each accident \$100,000 - disease \$500,000 - disease policy limit	November 8, 2008
Prætorian Specialty Insurance Company	Buildings - Jail	Scheduled - 90% coinsurance - \$5,000 deductible	July 26, 2008
Western Surety	Public Official Position Bond	\$40,000	May 30, 2009
Peerless Indemnity Insurance Company	Buildings Business Personal Property	Scheduled - 90% coinsurance - \$5,000 deductible Replacement cost - \$5,000 deductible	October 15, 2008

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of System Fees and Users

For the Year Ended June 30, 2008

WATER FEES:

Inside city limits: \$14.50 minimum for usage to 3,000 gallons of water.
\$3.50 per each additional 1,000 gallons of water above 3,000 gallons.

Outside city limits: \$20.00 minimum for usage to 3,000 gallons of water.
\$3.50 per each additional 1,000 gallons of water above 3,000 gallons.

SEWER FEES:

Residential: \$14.50 minimum for usage to 3,000 gallons of water.
\$3.50 per each additional 1,000 gallons of water above 3,000 gallons
not to exceed \$28.50 per household.

Commercial: \$14.50 minimum for usage to 3,000 gallons of water.
\$2.75 per each additional 1,000 gallons of water above 3,000 gallons.

SYSTEM USERS: As of June 30, 2008, the system had 2,465 active customers.

SYSTEM BILLINGS: During the year ended June 30, 2008, the system billed \$878,414 for water service and \$649,402 for sewer service. The system had an average customer base of 2,454 with an average monthly billing of \$51.88 per customer.

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Funds -
Utilities Revenue Bonds, Series 2006

For the Year Ended June 30, 2008

	Sinking Fund	Reserve Fund	Depreciation and Contingency Fund
Balance - beginning of year	\$ 25,887	\$ 6,472	\$ -
Deposits:			
July	25,887	6,471	-
August	25,884	6,471	-
September	25,884	6,471	-
October	25,884	6,471	-
November	25,884	6,471	-
December	25,884	6,471	-
January	25,884	6,471	-
February	25,884	6,471	-
March	25,884	6,471	-
April	25,884	6,471	-
May	25,884	6,471	-
June	25,884	6,471	-
Interest earned	4,292	1,169	-
Disbursements:			
November	(15,936)	-	-
May	(76,886)	-	-
Balance- end of year	<u>\$ 247,968</u>	<u>\$ 85,293</u>	<u>\$ -</u>

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Fixed Assets --
Water & Sewer Fund

For the Year Ended June 30, 2008

<u>Description</u>	<u>Date</u>	<u>Cost</u>	<u>S/V</u>	<u>Depreciable Basis</u>	<u>Life</u>	<u>Mos</u>	<u>Beginning</u>	<u>Current</u>	<u>Ending</u>	<u>Remaining Basis</u>
Right of Way	1/1/1980	\$ 300.00		\$ 300.00						
Sewer Plant Site	1/1/1980	400.00		400.00						
Reservoir Loits	1/1/1980	750.00		750.00						
Easement - Water Wells	1/1/1980	950.00		950.00						
Sewer Lagoon	1/1/1980	21,590.00		21,590.00						
Land - Water Well	11/12/2001	4,500.00		4,500.00						
Land - Water Well #10	6/15/2003	20,000.00		20,000.00						
		48,490.00	-	48,490.00						
Desk & Chair	1/1/1980	214.00		214.00	8	0	\$ 214.00	-	\$ 214.00	-
Check Protector	1/1/1980	114.00		114.00	8	0	114.00	-	114.00	-
Chair	1/1/1980	185.00		185.00	5	0	185.00	-	185.00	-
Time Clock	7/1/1989	1,002.00		1,002.00	5	0	1,002.00	-	1,002.00	-
4-Drawer File Cabinet	8/17/1995	201.93		201.93	8	0	201.93	-	201.93	-
Water Billing Software	10/1/1999	9,062.00		9,062.00	5	0	9,062.00	-	9,062.00	-
		10,778.93	-	10,778.93			10,778.93	-	10,778.93	-

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Fixed Assets –
Water & Sewer Fund

For the Year Ended June 30, 2008

<u>Description</u>	<u>Date</u>	<u>Cost</u>	<u>S/V</u>	<u>Depreciable</u>		<u>Life</u>	<u>Mos</u>	<u>Beginning</u>	<u>Current</u>	<u>Ending</u>	<u>Remaining Basis</u>
				<u>Basis</u>	<u>\$</u>						
Roto Tools	1/1/1980	\$ 5,109.00		\$ 5,109.00	\$	5	0	5,109.00	-	5,109.00	-
Radio Equipment	1/1/1980	3,363.00		3,363.00		5	0	3,363.00	-	3,363.00	-
5HP 3" Porpoise Pump	1/1/1980	375.00		375.00		5	0	375.00	-	375.00	-
Liquid Sampler	1/1/1980	925.00		925.00		5	0	925.00	-	925.00	-
Chain & Pipe	1/1/1980	1,789.00		1,789.00		5	0	1,789.00	-	1,789.00	-
Sewer Rodding Machine	1/1/1980	14,319.00		14,319.00		5	0	14,319.00	-	14,319.00	-
Pump	1/1/1980	12,530.00		12,530.00		5	0	12,530.00	-	12,530.00	-
Sewer Cleaner	1/1/1980	19,879.00		19,879.00		5	0	19,879.00	-	19,879.00	-
Outboard Motor	7/1/1988	1,311.00		1,311.00		5	0	1,311.00	-	1,311.00	-
Office Equipment	6/30/1994	1,320.46		1,320.46		5	0	1,320.00	0.46	1,320.46	-
Maxum Radio	1/25/1996	490.95		490.95		5	0	490.95	-	490.95	-
Mower	6/30/1997	795.00		795.00		5	0	795.00	-	795.00	-
Teller & Workstation	9/10/1997	9,317.00		9,317.00		10	2	9,163.10	153.90	9,317.00	-
Lawn Mower	1/1/1980	197.00		197.00		5	0	197.00	-	197.00	-
Tandem Pipe Traioer	1/1/1980	244.00		244.00		5	0	244.00	-	244.00	-
John Deere Backhoe/Loader	1/1/1980	15,967.00		15,967.00		5	0	15,967.00	-	15,967.00	-
Digger Mounted on Back	1/1/1980	2,604.00		2,604.00		5	0	2,604.00	-	2,604.00	-
Backhoe	7/1/1989	27,560.00		27,560.00		5	0	27,560.00	-	27,560.00	-
3' Honda Trash Pump	7/1/1989	1,298.00		1,298.00		5	0	1,298.00	-	1,298.00	-
Sewer Pump	9/30/1998	1,200.00		1,200.00		10	12	1,050.00	120.00	1,170.00	30.00
JMX - 180 Walkie Talkies	9/7/1999	259.00		259.00		5	0	259.00	-	259.00	-
580 SM 2WD Extendable	2/26/2001	51,180.00		51,180.00		5	0	51,180.00	-	51,180.00	-

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Fixed Assets -
Water & Sewer Fund

For the Year Ended June 30, 2008

Description	Date	Cost	SV	Depreciable		Life	Mos	Beginning	Current	Ending	Remaining Basis
				Basis							
Sta Rite HP20E High PS	3/31/2002	\$ 427.85		\$	427.85	5	0	\$ 427.85	\$ -	\$ 427.85	\$ -
HUE371K Cutoff Saw	4/30/2002	949.95			949.95	5	0	949.95	-	949.95	-
3610DD Ditch Witch	9/5/2003	26,962.62			26,962.62	10	12	10,335.78	2,696.26	13,032.04	13,930.58
Model 7834 Sewer Jet Pump	5/31/2006	39,995.00			39,995.00	10	12	4,332.79	3,999.50	8,332.29	31,662.71
		240,367.83	-		240,367.83			187,774.42	6,970.12	194,744.54	45,623.29
'81 Cab & Chassis	1/1/1980	7,831.00			7,831.00	5	0	7,831.00	-	7,831.00	-
'84 Ford F-150	5/19/1993	3,800.00			3,800.00	3	0	3,800.00	-	3,800.00	-
'87 Chevy P/U (Donated)	10/9/1992	2,000.00			2,000.00	3	0	2,000.00	-	2,000.00	-
'95 Ford F-150	1/11/1995	13,949.52			13,949.52	10	0	13,949.52	-	13,949.52	-
1998 Ford F-150	7/29/1998	14,119.00			14,119.00	5	0	14,119.00	-	14,119.00	-
'88 Chev P/U	4/25/2002	4,000.00			4,000.00	3	0	4,000.00	-	4,000.00	-
'92 Ford Truck	2/24/2003	4,320.00			4,320.00	3	0	4,320.00	-	4,320.00	-
2003 Ford Ranger - 182....	1/18/2005	13,400.00			13,400.00	5	12	6,476.67	2,680.00	9,156.67	4,243.33
2003 Chev S-10	9/7/2004	10,000.00			10,000.00	5	12	5,666.67	2,000.00	7,666.67	2,333.33
1976 Ford P/U - 527223	9/19/2002	800.00			800.00	5	12	320.00	160.00	480.00	320.00
2006 Chev P/U - 15107	12/15/2005	12,429.20			12,429.20	5	12	3,935.91	2,485.84	6,421.75	6,007.45
2008 F-250 - s/h ...87850	11/30/2007	20,073.50	\$ 2,007.35		18,066.15	5	7	2,107.72	2,107.72	2,107.72	17,965.78
2008 F-250 - s/h ...87851	11/30/2007	20,073.50	2,007.35		18,066.15	5	7	2,107.72	2,107.72	2,107.72	17,965.78
		126,795.72	4,014.70		122,781.02			66,418.77	11,541.28	77,960.05	48,835.68

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Fixed Assets –
Water & Sewer Fund

For the Year Ended June 30, 2008

<u>Description</u>	<u>Date</u>	<u>Cost</u>	<u>S/V</u>	<u>Depreciable</u>		<u>Life</u>	<u>Mos</u>	<u>Beginning</u>	<u>Current</u>	<u>Ending</u>	<u>Remaining</u>
				<u>Basis</u>	<u>Basis</u>						
Engineering - 1966-1973	7/1/1966	\$ 4,927.00		\$ 4,927.00	60	12	\$ 3,364.36	\$ 82.12	\$ 3,446.48	\$ 1,480.52	
Water System Additions	7/1/1966	23,310.00		23,310.00	60	12	15,939.50	388.50	16,328.00	6,982.00	
Water Wells - Old	7/1/1980	22,941.00		22,941.00	5	0	22,941.00	-	22,941.00	-	
Water Well Shed	7/1/1980	2,776.00		2,776.00	5	0	2,776.00	-	2,776.00	-	
Water Wells - '60 - '61 Impr	7/1/1980	2,638.00		2,638.00	5	0	2,638.00	-	2,638.00	-	
Water Reservoirs	7/1/1955	19,367.00		19,367.00	40	0	19,367.00	-	19,367.00	-	
Waterworks & Ice Plant	7/1/1954	75,000.00		75,000.00	40	0	75,000.00	-	75,000.00	-	
Water Construction	7/1/1964	30,401.00		30,401.00	60	12	21,794.04	506.68	22,300.72	8,100.28	
Water Construction	7/1/1964	57,665.00		57,665.00	60	12	41,324.24	961.08	42,285.32	15,379.68	
Sewer & Water Extension	7/1/1954	313,259.00		313,259.00	60	12	276,711.94	5,220.98	281,932.92	31,326.08	
Sewer & Water Extension	7/1/1970	275.00		275.00	60	12	183.74	4.58	188.32	86.68	
Sewer & Water Extension	7/1/1954	208,325.00		208,325.00	60	12	184,018.24	3,472.08	187,490.32	20,834.68	
Private Water Line Purch	7/1/1961	5,499.60		5,499.60	60	0	5,499.60	-	5,499.60	-	
Bond Issue 1959	7/1/1960	26,121.00		26,121.00	60	12	20,454.05	435.35	20,889.40	5,231.60	
Bond Issue 1962	7/1/1963	76,816.46		76,816.46	60	12	56,325.81	1,280.27	57,606.08	19,210.38	
Bond Issue 1964	7/1/1965	212,176.66		212,176.66	60	12	148,518.84	3,536.28	152,055.12	60,121.54	
New Water Construction	7/1/1974	78,811.99		78,811.99	60	12	43,356.59	1,313.53	44,670.12	34,141.87	
Reynolds St. Annex	7/1/1975	9,209.38		9,209.38	60	12	4,900.47	153.49	5,053.96	4,155.42	
Pinehill Sub Const	7/1/1977	50,066.48		50,066.48	60	12	25,023.32	834.44	25,857.76	24,208.72	
Water Line Construction	7/1/1978	39,876.86		39,876.86	60	12	19,281.83	664.61	19,946.44	19,930.42	
Fluoride Treatment Plant	7/1/1982	23,002.54		23,002.54	20	12	17,821.39	1,150.13	18,971.52	4,031.02	
Water Storage Tanks	7/1/1989	67,551.08		67,551.08	40	12	29,554.34	1,688.78	31,243.12	36,307.96	
Waterworks Disinfection	7/1/1989	178,793.00		178,793.00	40	12	80,434.49	4,469.83	84,904.32	93,888.69	

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Fixed Assets -
Water & Sewer Fund

For the Year Ended June 30, 2008

<u>Description</u>	<u>Date</u>	<u>Cost</u>	<u>SV</u>	<u>Depreciable</u>		<u>Life</u>	<u>Mos</u>	<u>Beginning</u>	<u>Current</u>	<u>Ending</u>	<u>Remaining</u>
				<u>Basis</u>	<u>Basis</u>						
Water Tank Paint & Repair	7/1/1992	\$ 69,575		\$ 69,575	10	0	0	\$ 69,575	\$ -	\$ 69,575	\$ -
Fence	12/17/1993	3,541.08		3,541.08	10	0	0	3,541.00	0.08	3,541.08	-
93 Water Main Replacement	4/19/1994	126,469.95		126,469.95	20	12	12	88,534.50	6,323.50	94,858.00	31,611.95
Water Well #9 Overhaul	5/29/1997	44,882.00		44,882.00	10	0	0	44,882.00	-	44,882.00	-
Chlorinator	1/1/1980	909.00		909.00	5	0	0	909.00	-	909.00	-
Water Meters	1/1/1980	27,860.00		27,860.00	5	0	0	27,860.00	-	27,860.00	-
Water Meters	1/1/1980	6,312.00		6,312.00	5	0	0	6,312.00	-	6,312.00	-
Water Meters	1/1/1980	4,578.00		4,578.00	5	0	0	4,578.00	-	4,578.00	-
Water Meters & Fire Hydrants	1/1/1980	9,326.00		9,326.00	5	0	0	9,326.00	-	9,326.00	-
Fire Hydrants	1/1/1980	1,785.00		1,785.00	5	0	0	1,785.00	-	1,785.00	-
Water Meters	1/1/1980	8,961.00		8,961.00	5	0	0	8,961.00	-	8,961.00	-
Water Well Pump	1/1/1980	18,414.00		18,414.00	5	0	0	18,414.00	-	18,414.00	-
Water Meters	1/1/1980	4,001.00		4,001.00	5	0	0	4,001.00	-	4,001.00	-
Chlorinator	1/1/1980	763.00		763.00	5	0	0	763.00	-	763.00	-
Water Meters	1/1/1980	3,915.00		3,915.00	5	0	0	3,915.00	-	3,915.00	-
Model 410 Gas Chlorinator	1/1/1980	1,033.00		1,033.00	5	0	0	1,033.00	-	1,033.00	-
Reducer Hyd 3-6 Bury	1/1/1980	847.00		847.00	5	0	0	847.00	-	847.00	-
Water Meter	7/1/1991	1,450.00		1,450.00	5	0	0	1,450.00	-	1,450.00	-
Fire Hydrants	12/14/1994	650.00		650.00	10	0	0	650.00	-	650.00	-
Timothy Church Road	11/21/2002	246,809.32		246,809.32	40	12	12	28,279.69	6,170.23	34,449.92	212,359.40
CIP - Timothy Road	12/21/2001	102.90		102.90	40	12	12	13.71	2.57	16.28	86.62
Water Well #10	5/12/2004	201,529.42		201,529.42	25	12	12	25,527.54	8,061.18	33,588.72	167,940.70

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Fixed Assets –
Water & Sewer Fund

For the Year Ended June 30, 2008

Description	Date	Cost	S/V	Depreciable		Life	Mos	Beginning	Current	Ending	Remaining Basis
				Basis							
Rework Well #7	3/1/2007	\$ 85,290.85	\$	85,290.85	25	12	\$ 1,137.21	\$ 3,411.63	\$ 4,548.84	\$ 80,742.01	
Rework Well #8	3/21/2007	133,006.00		133,006.00	25	12	1,330.06	5,320.24	6,650.30	126,355.70	
Water Main - Health Unit	5/31/2007	28,372.50		28,372.50	25	12	94.58	1,134.90	1,229.48	27,143.02	
Automated Meter Read System	6/30/2008	1,051,759.14		1,051,759.14	25	0	-	-	-	1,051,759.14	
		3,610,951.21	-	3,610,951.21			1,470,948.08	56,587.08	1,527,535.16	2,083,416.05	
Less: Old Meters Removed	6/30/2008	(66,403.00)		(66,403.00)			(66,403.00)	-	(66,403.00)	-	
		3,544,548.21	-	3,544,548.21			1,404,545.08	56,587.08	1,461,132.16	2,083,416.05	
Sewer & Water Extension	7/1/1968	32,445.00		32,445.00	60	12	21,096.25	540.75	21,637.00	10,808.00	
Sewer & Water Extension	7/1/1976	776,832.42		776,832.42	60	12	440,200.63	12,947.21	453,147.84	323,684.58	
Sewer Construction	7/1/1964	20,261.00		20,261.00	60	12	14,527.04	337.68	14,864.72	5,396.28	
Sewer Construction	7/1/1961	16,618.00		16,618.00	60	12	11,910.91	276.97	12,187.88	4,430.12	
New Sewer Construction	7/1/1974	97,027.94		97,027.94	60	12	53,362.39	1,617.13	54,979.52	42,048.42	
Oxidation Pond	7/1/1977	2,999.70		2,999.70	20	0	2,999.70	-	2,999.70	-	
Sewer Construction - EPA	7/1/1980	75,734.00		75,734.00	60	12	33,617.69	1,262.23	34,879.92	40,854.08	
Sewerage Project - 1987	7/1/1988	74,539.09		74,539.09	40	12	35,864.44	1,863.48	37,727.92	36,811.17	
Oxidation Pond	7/1/1988	42,941.92		42,941.92	40	12	20,404.65	1,073.55	21,478.20	21,463.72	
Sewer Renovation & Expenition	7/1/1991	229,300.00		229,300.00	40	12	91,727.50	5,732.50	97,460.00	131,840.00	
Sewer Repairs	2/9/1993	51,897.39		51,897.39	20	12	38,924.61	2,594.87	41,519.48	10,377.91	
Sewer Repairs	1/5/1994	9,000.00		9,000.00	20	12	6,300.00	450.00	6,750.00	2,250.00	
5th NE Water & Sewer	6/16/1995	128,858.98		128,858.98	40	12	38,653.41	3,221.47	41,874.88	86,984.10	
5th NE Water & Sewer	6/30/1996	37,323.21		37,323.21	40	12	10,263.24	933.08	11,196.32	26,126.89	

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Fixed Assets --
Water & Sewer Fund

For the Year Ended June 30, 2008

<u>Description</u>	<u>Date</u>	<u>Cost</u>	<u>S/V</u>	<u>Depreciable</u>		<u>Life</u>	<u>Mos</u>	<u>Beginning</u>	<u>Current</u>	<u>Ending</u>	<u>Remaining Basis</u>
				<u>Basis</u>	<u></u>						
City Wide Sewer Impr	6/30/1995	\$ 14,644.20		\$ 14,644.20		40	12	\$ 4,392.33	\$ 366.11	\$ 4,758.44	\$ 9,885.77
City Wide Sewer Impr	11/21/1996	2,263,620.69		2,263,620.69		40	12	598,919.56	56,590.52	655,510.08	1,608,110.61
Sewer Improvements	7/1/1991	72,337.50		72,337.50		40	12	21,697.32	1,808.44	23,505.76	48,831.74
Wastewater Treatment	9/23/1996	2,027,892.12		2,027,892.12		40	12	544,993.90	50,697.30	595,691.20	1,432,200.92
Sewer Improvements	11/19/1993	58,282.30		58,282.30		40	12	17,484.18	1,457.06	18,941.24	39,341.06
5th NE Water & Sewer	6/30/1998	25,662.00		25,662.00		40	12	5,776.65	641.55	6,418.20	19,243.80
Wastewater Treatment	7/1/1997	6,266.21		6,266.21		40	12	1,568.98	156.66	1,725.64	4,540.57
Sewer Improvements	9/5/1997	15,451.60		15,451.60		40	12	3,796.87	386.29	4,183.16	11,268.44
Sewer Improvements	9/11/1997	153,287.56		153,287.56		40	12	37,681.57	3,832.19	41,513.76	111,773.80
Sewer Improvements	5/7/1999	1,685,929.83		1,685,929.83		40	12	344,209.75	42,148.25	386,358.00	1,299,571.83
Sewer Improvements	7/1/1999	9,763.00		9,763.00		40	12	1,932.24	244.08	2,196.32	7,566.69
Sewer Improvements	5/10/2001	4,923.00		4,923.00		40	12	759.24	123.08	882.32	4,040.69
Sewer Plant Upgrade	4/28/2002	49,964.00		49,964.00		40	12	6,453.30	1,249.10	7,702.40	42,261.60
Wastewater Treatment	5/6/2003	129,442.70		129,442.70		40	12	13,483.21	3,236.07	16,719.28	112,723.42
Wastewater Improvements	5/24/2004	134,649.05		134,649.05		25	12	16,606.88	5,385.96	21,992.84	112,656.21
So. Ark Sewer Extension	10/1/2004	39,615.48		39,615.48		25	12	4,357.70	1,584.62	5,942.32	33,673.16
5th NE Sewer Line	1/31/2005	27,300.00		27,300.00		25	12	2,639.00	1,092.00	3,731.00	23,569.00
Lift Station Improvements	10/31/2006	901,149.00		901,149.00		25	12	24,030.64	36,045.96	60,076.60	841,072.40
Waste Water Treatment Impr	5/31/2007	576,098.16		576,098.16		25	12	1,920.33	23,043.93	24,964.26	551,133.90
		9,792,057.05	-	9,792,057.05				2,472,576.11	262,940.06	2,735,516.17	7,056,540.88

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Fixed Assets –
Water & Sewer Fund

For the Year Ended June 30, 2008

<u>Description</u>	<u>Date</u>	<u>Cost</u>	<u>S/V</u>	<u>Depreciable</u>		<u>Life</u>	<u>Mos</u>	<u>Beginning</u>	<u>Current</u>	<u>Ending</u>	<u>Remaining Basis</u>
				<u>Basis</u>	<u>Basis</u>						
CIP - Water Sys Impr Phase I	6/30/2005	\$ 158,211.00		\$ 158,211.00				\$ -	\$ -	\$ -	\$ -
CIP - Water Sys Impr Phase I	6/30/2006	396,177.00		396,177.00				-	-	-	-
CIP - Water Sys Impr Phase II	6/30/2006	21,678.00		21,678.00				-	-	-	-
CIP - Water Sys Impr Phase III	6/30/2006	21,059.00		21,059.00				-	-	-	-
CIP - Water Sys Impr Phase IV	6/30/2006	14,301.00		14,301.00				-	-	-	-
CIP - Water Sys Impr Phase I	6/30/2007	93,057.11		93,057.11				-	-	-	-
CIP - Automated Meter Readers	6/30/2007	20,000.00		20,000.00				-	-	-	-
CIP - Water Sys Impr Phase I	6/30/2008	4,104,336.97		4,104,336.97				-	-	-	-
CIP - Wastewater Treat Plant	6/30/2008	72,315.00		72,315.00				-	-	-	-
		4,901,135.08		4,901,135.08				-	-	-	-
Less: Transfer to Water Plant	6/30/2008	(20,000.00)		(20,000.00)				-	-	-	-
		4,881,135.08	-	4,881,135.08				-	-	-	-
Grand Totals		\$ 18,644,172.82		\$ 18,640,158.12				\$ 4,142,093.31	\$ 338,038.53	\$ 4,480,131.84	\$ 9,234,415.90

See the accompanying independent auditor's report.
Supplementary Schedule. Presented for purposes of additional analysis only.

**OTHER REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS, THE LOUISIANA GOVERNMENTAL
AUDIT GUIDE, AND OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

The following independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements is presented in compliance with requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

WILLIAM E. WEATHERFORD, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT

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

The Honorable Carroll Breaux, Mayor
And the Members of the Board of Aldermen
City of Springhill, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Springhill, Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the primary government basic financial statements of the City of Springhill, Louisiana, and have issued my report thereon dated January 15, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Springhill, Louisiana's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Springhill, Louisiana's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Springhill, Louisiana's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Springhill, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Springhill, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the City of Springhill, Louisiana's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Springhill, Louisiana's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Springhill Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 08-1 and 08-2.

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The City of Springhill, Louisiana's response to the findings in my audit is included in the accompanying "Management's Corrective Action Plan". I did not audit the City's response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the City of Springhill, Louisiana, the Louisiana Legislative Auditor, federal awarding agencies, pass-through entities, and management of the City of Springhill, Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is a public document and its distribution is not limited.

William E. Weatherford, CPA, LLC

William E. Weatherford, CPA, LLC
Certified Public Accountant
January 15, 2009

WILLIAM E. WEATHERFORD, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT

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

The Honorable Carroll Breaux, Mayor
And the Members of the Board of Aldermen
City of Springhill, Louisiana

Compliance

I have audited the compliance of the City of Springhill, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Springhill, Louisiana's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the management of the City of Springhill, Louisiana. My responsibility is to express an opinion on the City of Springhill, Louisiana's compliance based on my audit.

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

In my opinion, The City of Springhill, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Springhill, Louisiana is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of Springhill, Louisiana's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses as defined above.

The City of Springhill, Louisiana's response to the findings identified in my audit is included in the accompanying "Management's Corrective Action Plan". I did not audit the City of Springhill, Louisiana's response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Louisiana Legislative Auditor, federal awarding agencies, pass-through entities, and management of the City of Springhill, Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is a public document and its distribution is not limited.

William E. Weatherford, CPA, LLC

William E. Weatherford, CPA, LLC
Certified Public Accountant
January 15, 2009

AUDIT FINDINGS

CITY OF SPRINGHILL, LOUISIANA

Schedule of Findings and Questioned Costs

June 30, 2008

A. Summary of Auditor's Results

Financial Statements:

1. The Auditor's report expresses an unqualified opinion on the primary government's governmental activities, business-type activities, and each major fund and expresses an adverse opinion on the missing aggregate discretely presented component unit opinion unit.
2. The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* reports no reportable conditions related to internal control over financial reporting.
3. The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* reports two (2) reportable conditions of noncompliance material to the financial statements.
4. Management's Summary Schedule of Prior Audit Findings is included in the financial statements.
5. No Memorandum of Other Comments and Recommendations was issued.
6. Management's Corrective Action Plan is included in the financial statements.

Federal Awards:

7. The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 expresses an unqualified opinion.
8. The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 reports no reportable conditions related to internal control over major programs.
9. The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 reports no audit findings required to be reported in accordance with Circular A-133, Section 510(a).
10. Identification of major programs:
 - CFDA # 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
11. The threshold for distinguishing between Type A and Type B programs was \$300,000.
12. The City of Springhill, Louisiana does not qualify as a low-risk Auditee.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Findings and Questioned Costs

June 30, 2008

B. Findings Relating to the Financial Statements Which are Required to be Reported Under *Government Auditing Standards*.

FINDINGS RELATED TO COMPLIANCE

Item: 08-1

Criteria or specific requirement:

Louisiana Revised Statute (LSA-R.S.) 24:513(A) (5) (a) requires "audits shall be completed within six months of the close of the entity's fiscal year". Also, the loan and pledge agreement relating to the issuance of the Utilities Revenue Bonds, Series 2006, Section 8.05, requires a financial audit to be performed annually and to be forwarded to the Louisiana Department of Health and Hospitals no later than six months after the close of the fiscal year.

Condition:

The City's annual financial audit was not completed and filed with the Louisiana Legislative Auditor and the Louisiana Department of Health and Hospitals on or before December 31, 2008.

Questioned costs:

None

Context:

The City filed its annual financial statements with the Louisiana Legislative Auditor and the Louisiana Department of Health and Hospitals after the statutory due date.

Effect:

The Town is in non-compliance with Louisiana Revised Statute 24:513(A) (5) (a) and the financial reporting requirements of the loan and pledge agreement for the Utilities Revenue Bonds, Series 2006.

Cause:

The City's fee accountant was ill during the months of November and December 2008 which prevented timely accumulation of financial information necessary to complete the audit in a timely manner.

Also, a legal representation letter was requested from the City's legal counsel on November 24, 2008. Failure to receive the requested response from legal counsel is a scope limitation to the financial audit and requires a disclaimer of opinion by the auditor. The requested legal representations were received from legal counsel by the auditor on January 5, 2009.

Recommendation:

The City should make every possible effort to complete the annual audit and file the required financial reports with the Louisiana Legislative Auditor on or before the December 31 due date.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Findings and Questioned Costs

June 30, 2008

Item: 08-2

Criteria or specific requirement:

The Loan and Pledge Agreement for the Utilities Revenue Bonds, Series 2006 requires the City to deposit five percent (5%) of the net revenues derived through the Water and Sewer Fund into a Utilities Depreciation and Contingency Account on or before the 20th day of each month to care for depreciation, extensions, additions, improvements, renewals and replacements necessary to operate the system. Such deposits are required until the account has a balance of \$200,000.

Condition:

The City made no deposits into the Utilities Depreciation and Contingency Account during the fiscal year ended June 30, 2008.

Questioned costs:

\$23,317

Context:

The City was required by the loan covenant to begin making deposits into the Utilities Depreciation and Contingency Account upon delivery of the bonds. The Utilities Revenue Bonds, Series 2006, bond numbered R-1 in the amount of \$7,500,000 was registered June 15, 2007. The City was responsible for beginning deposits into the Utilities Depreciation and Contingency Account effective July 2007.

Effect:

The City is not in compliance with a loan covenant included in the Loan and Pledge Agreement for the Utilities Revenue Bonds, Series 2006.

Cause:

Management misunderstood the requirement to fund the Utilities Depreciation and Contingency Account and believed funding was required only after the revolving loan funds were fully expended.

Recommendation:

The City should comply with the funding requirements for the Utilities Depreciation and Contingency Account.

FINDINGS RELATED TO INTERNAL CONTROL

None

CITY OF SPRINGHILL, LOUISIANA

Summary Schedule of Prior Audit Findings

June 30, 2008

FINDINGS RELATED TO COMPLIANCE

Item: 07-1

Criteria or specific requirement:

Louisiana Revised Statute (LSA-R.S.) 24:513(A) (5) (a) requires "audits shall be completed within six months of the close of the entity's fiscal year".

Condition:

The City's annual financial audit was not completed and filed with the Louisiana Legislative Auditor on or before December 31.

Recommendation:

The City should make every possible effort to complete the annual audit and file the required financial reports with the Louisiana Legislative Auditor on or before the December 31 due date.

Status:

Not resolved; see similar finding, Item 08-1, in the current fiscal year.

Item: 07-2

Criteria or specific requirement:

Louisiana Revised Statute (LSA-R.S.) 38:2212(A) (1) (a) requires that all public work exceeding the contract limit to be done by a public entity shall be let by contract to the lowest responsible bidder.

Condition:

The City made improvements exceeding the contract limit to water well #8 without obtaining public bids for the work.

Recommendation:

The City should comply with the requirements of the Louisiana Bid Law.

Status:

Resolved; no similar finding in the current fiscal year.

FINDINGS RELATED TO INTERNAL CONTROL

None



CITY OF SPRINGHILL

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RONNIE COLEMAN, Chief of Police
E. CHARLES JACOBS, City Attorney
SHELLI MALONE, Assistant City Clerk

The management of the City of Springhill, Louisiana submits the following corrective plan of action in response to the findings in the Auditor's Schedule of Findings and Questioned Costs dated January 15, 2009.

FINDINGS RELATED TO COMPLIANCE

Finding 08-1 - The audit was not completed timely.

Management Response – In the future, the City's annual financial audit will be completed and filed with the Louisiana Legislative Auditor on or before December 31.

Finding 08-2 – The City did not comply with the requirements of the Loan and Pledge Agreement for the Utilities Revenue Bonds, Series 2006.

Management Response – The City deposited \$200,000 into the Utilities Depreciation and Contingency Account on January 15, 2009. This deposit completely funds the account and no additional deposits will be required unless the account balance is reduced below \$200,000.