

CITY OF MANSFIELD, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
DECEMBER 31, 2005

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

Release Date 10/11/06

CITY OF MANSFIELD, LOUISIANA

Financial Statements
And Independent Auditor's Reports

As of and for the Year Ended December 31, 2005

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CITY OF MANSFIELD, LOUISIANA

Financial Statements
And Independent Auditor's Reports

As of and for the Year Ended December 31, 2005

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INDEPENDENT AUDITOR'S REPORT

WILLIAM E. WEATHERFORD, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

The Honorable Curtis W. McCoy, Mayor
and the Members of the Board of Aldermen
City of Mansfield, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mansfield, Louisiana, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mansfield, Louisiana's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mansfield, Louisiana, as of December 31, 2005, 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 2, 2006, on my consideration of the City of Mansfield, 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 should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 44 through 45, 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.

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My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mansfield, Louisiana's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

William E. Weatherford, CPA, LLC

William E. Weatherford, CPA, LLC
Certified Public Accountant
Shreveport, Louisiana
August 2, 2006

REQUIRED SUPPLEMENTAL INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MANSFIELD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mansfield, Louisiana, we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Mansfield as of and for the year ended December 31, 2005. 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 7.32% (\$235,465) during the fiscal year ended December 31, 2005. As of December 31, 2005, the assets of the City exceeded its liabilities by \$3,450,750. Of this amount \$2,145,012 (62.16%) 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 Mansfield, Louisiana. During 2005, net assets of the governmental activities increased by \$163,285 (23.01%), while net assets of the business-type activities increased \$72,180 (2.88%).

As of close of the fiscal year 2005, the City's governmental funds reported a combined ending fund balance of \$1,020,991, an increase of \$56,214 (5.83%).

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.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, to assess the overall health 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 the City fall into this category, including general government, public safety, public works, sanitation, parks and recreation, and maintenance.

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 consist of the provision of water and sewer services.

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 three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three 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 two governmental funds: the General Fund and the Capital Project Fund. The General Fund 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 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 two enterprise funds, the Water Fund and the Sewer 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.

- *Fiduciary Funds* – These funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because those funds are not available to support the City's own programs.

The fiduciary fund financial statements can be found immediately following the proprietary 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 as presented in the governmental funds financial statements. Annual budgets are prepared in accordance with accounting principles generally accepted in the United States of America (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 \$3,450,750 and \$3,215,285 as of December 31, 2005 and 2004 respectively, an increase of \$235,465 (7.32%).

As of December 31, 2005, \$637,953 (18.49%) of the City's net assets consists of investment in capital assets such as land, buildings, equipment, and water and sewer plant and improvements, less any related debt used to acquire those assets that is still outstanding, compared to \$497,778 (15.48%) of the City's net assets as of the close of the prior year. The City uses these capital assets to provide services to the citizens of Mansfield; 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 \$466,904 (13.53%) as of December 31, 2005 and \$528,570 (16.44%) as of December 31, 2004, is restricted by loan covenants for repayment of principal and interest on long-term debt. \$200,881 (5.82%) of net assets as of December 31, 2005 is restricted for capital projects compared to \$207,206 (6.44%) of net assets as of the end of the prior year.

The other portion of the City's net assets, \$2,145,012 (62.16%) and \$1,981,731 (61.64%) as of December 31, 2005 and 2004 respectively, 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 Mansfield. The City continues to maintain a high level of liquidity with \$1,508,108 (70.31%) of the unrestricted net assets of the City consisting of cash, demand deposits, and certificates of deposit at December 31, 2005 compared to \$1,196,837 (60.39%) at December 31, 2004.

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 1,119,859	\$ 991,973	\$ 1,933,949	\$ 1,909,245	\$ 3,053,808	\$ 2,901,218
Capital Assets	665,558	605,002	2,682,395	2,907,776	3,347,953	3,512,778
Total Assets	1,785,417	1,596,975	4,616,344	4,817,021	6,401,761	6,413,996
Current Liabilities	157,353	77,196	375,712	320,515	533,065	397,711
Long-term Liabilities						
Outstanding	755,000	810,000	1,662,946	1,991,000	2,417,946	2,801,000
Total liabilities	912,353	887,196	2,038,658	2,311,515	2,951,011	3,198,711
Net assets:						
Invested in Capital Assets-						
Net of Related debt	(144,442)	(254,998)	782,395	752,776	637,953	497,778
Restricted	200,881	207,206	466,904	528,570	667,785	735,776
Unrestricted	816,625	757,571	1,328,387	1,224,160	2,145,012	1,981,731
Total Net assets	\$ 873,064	\$ 709,779	\$ 2,577,686	\$ 2,505,506	\$ 3,450,750	\$ 3,215,285

Changes in Net Assets

The City's net assets increased by \$235,465 (7.32%) during the year ended December 31, 2005 compared to an increase of \$75,805 (2.41%) in 2004. This increase is due primarily to an increase in tax revenue of \$209,429 during 2005.

Approximately 47.47% (\$1,947,145) of the City's total revenues was derived through charges for services in 2005 compared to 47.23% (\$1,797,970) in 2004. During the year ended December 31, 2005, approximately 49.23 % (\$2,019,484) was derived from general revenues including taxes and interest compared to 47.09% (\$1,792,644) during 2004. The City received \$135,498 (3.30%) and \$216,322 (5.68%) of its total revenues through program grants and contributions during 2005 and 2004, respectively.

The largest expenses were for public safety, general government, water and sewer. In fiscal year 2005, governmental activity expenses exceeded program revenues resulting in the use of \$1,810,935 in general revenues, mostly taxes. Revenues from business-type activities in fiscal year 2005 exceeded net expenses by \$71,152.

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 220,506	\$ 195,145	\$ 1,726,639	\$ 1,602,825	\$ 1,947,145	\$ 1,797,970
Operating grants and contributions	111,898	169,111	-	-	111,898	169,111
Capital grants and contributions	23,600	47,211	-	-	23,600	47,211
General revenues:						
Taxes	1,533,892	1,324,463	-	-	1,533,892	1,324,463
Licenses and permits	225,561	216,768	-	-	225,561	216,768
Video poker revenue	169,907	184,172	-	-	169,907	184,172
Interest	21,960	12,705	44,236	23,542	66,196	36,247
Other	23,928	30,994	-	-	23,928	30,994
Total revenues	2,331,252	2,180,569	1,770,875	1,626,367	4,102,127	3,806,936
Expenses:						
General government	870,764	871,576	-	-	870,764	871,576
Public safety	921,379	836,940	-	-	921,379	836,940
Public works	222,839	280,813	1,699,723	1,575,877	1,922,562	1,856,690
Sanitation	94,340	90,624	-	-	94,340	90,624
Parks and recreation	9,200	31,017	-	-	9,200	31,017
Maintenance	48,417	44,284	-	-	48,417	44,284
Total expenses	2,166,939	2,155,254	1,699,723	1,575,877	3,866,662	3,731,131
Excess before transfers	164,313	25,315	71,152	50,490	235,465	75,805
Transfers in (out)	(1,028)	-	1,028	-	-	-
Change in net assets	163,285	25,315	72,180	50,490	235,465	75,805
Net assets- beginning	709,779	684,464	2,505,506	2,455,016	3,215,285	3,139,480
Net assets - ending	\$ 873,064	\$ 709,779	\$ 2,577,686	\$ 2,505,506	\$ 3,450,750	\$ 3,215,285

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 \$1,020,991, an increase of \$56,214 in comparison with the prior year. Approximately 80.32% (\$820,110) of this total amount constitutes *unreserved fund balance*, which is available for spending at the City's discretion.

The remainder of fund balance (\$200,881 or 19.68%) is reserved to indicate that it is not available for spending because it has already been committed to fund capital projects.

Proprietary Funds

The City's proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations, which are considered to be major funds of the City. The City's proprietary funds consist of enterprise funds which report the same functions presented as business-type activities in the government-wide financial statements.

At the end of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$2,577,686; an increase of \$72,180 (2.88%) in comparison with the prior year's ending net assets of \$2,505,506. The Water Fund had an increase in net assets of \$127,499 (20.78%), and the Sewer Fund had a decrease in net assets of \$55,319 (2.92%). \$782,395 (30.35%) represents investment in capital assets net of accumulated depreciation and related outstanding debt. A total of \$466,904 (18.11%) is restricted by loan covenants for repayment of principal and interest on long-term debt and \$1,328,387 (51.54%) is unrestricted and is available for spending at the City's discretion.

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 General Fund budget was amended because:

- Sales and use tax, licenses and permits, and grant revenues were more than originally budgeted.
- Public safety and public works expenditures were more than originally budgeted.

The actual revenues were \$364,559 above the original budgeted amounts and the actual expenditures were \$82,592 more than the final budgeted amounts.

CAPTIAL ASSET ADMINISTRATION

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2005 totaled \$13,604,168, net of accumulated depreciation of \$10,256,215, leaving a book value of \$3,347,953. This investment in capital assets consists of land, buildings, equipment, and water and sewer plant and improvements. The net increase in the City's investment in capital assets for the current year was \$187,643, about 1.40% in terms of historical cost. Depreciation charges for the year totaled \$352,468 for 2005 compared to \$350,219 for the prior year.

DEBT ADMINISTRATION

At year-end, the City had \$2,710,000 in bonds outstanding, a decrease of \$305,000 (10.12%) compared to the prior year.

Debt considered a liability of government activities decreased \$50,000 while debt considered a liability of the business-type activities decreased by \$255,000.

The decrease in long-term obligations of the governmental activities is due to normal amortization of debt.

The City completed a current refunding of the Series 1997 Water Revenue Refunding Bonds during October 2005. In addition to the normal scheduled repayments, the City also made a payment of \$91,000 on outstanding Series 1997 Water Revenue Refunding Bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ended December 31, 2006 was prepared:

- Revenues are expected to remain consistent with the prior year
- The City expects to perform building demolitions with an expected cost of \$10,000.
- The City plans to make street and sidewalk improvements costing approximately \$25,000.
- During 2006, the City expects to expend \$4,000 for cleaning and maintaining drainage canals.
- The City intends to spend \$2,000 for fire hydrant improvements.
- Other expenditures are expected to remain consistent with the prior year.

REQUESTS FOR INFORMATION

The 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 Mansfield, P.O. Box 773, Mansfield, Louisiana 71052 or by calling (318) 872-0406.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MANSFIELD, LOUISIANA

Statement of Net Assets
December 31, 2005

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents:	\$ 640,545	\$ 592,899	\$ 1,233,444
Certificates of deposit	200,881	73,783	274,664
Taxes receivable	166,858	-	166,858
Accounts receivable	115,260	275,551	390,811
Internal balances	(3,685)	3,685	-
Total current assets	<u>1,119,859</u>	<u>945,918</u>	<u>2,065,777</u>
Restricted Assets:			
Cash and cash equivalents	-	490,415	490,415
Certificates of deposit	-	473,024	473,024
Total restricted assets	<u>-</u>	<u>963,439</u>	<u>963,439</u>
Non-current assets:			
Bond issue costs - net	-	24,592	24,592
Capital assets (net of accumulated depreciation)	665,558	2,682,395	3,347,953
Total non-current assets	<u>665,558</u>	<u>2,706,987</u>	<u>3,372,545</u>
Total Assets	<u>\$ 1,785,417</u>	<u>\$ 4,616,344</u>	<u>\$ 6,401,761</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 24,288	\$ 17,613	\$ 41,901
Cash bonds payable	17,400	-	17,400
Accrued salaries	36,715	18,991	55,706
Accrued interest payable	3,485	20,397	23,882
Deferred revenue	20,465	-	20,465
Current portion of bonds payable	55,000	161,000	216,000
Total current liabilities	<u>157,353</u>	<u>218,001</u>	<u>375,354</u>
Payable from restricted assets:			
Customer deposits	-	157,711	157,711
Non-current liabilities:			
Bonds payable	755,000	1,739,000	2,494,000
Deferred loss on current refunding	-	(76,054)	(76,054)
Total non-current liabilities	<u>755,000</u>	<u>1,662,946</u>	<u>2,417,946</u>
Total liabilities	<u>912,353</u>	<u>2,038,658</u>	<u>2,951,011</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	(144,442)	782,395	637,953
Restricted for debt service	-	466,904	466,904
Restricted for capital projects	200,881	-	200,881
Unrestricted	816,625	1,328,387	2,145,012
Total net assets	<u>\$ 873,064</u>	<u>\$ 2,577,686</u>	<u>\$ 3,450,750</u>

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

CITY OF MANSFIELD, LOUISIANA

Statement of Activities
For the Year Ended December 31, 2005

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 823,961	\$ -	\$ -	\$ -
Public safety	921,379	212,532	98,977	23,600
Public works	222,839	-	12,921	-
Sanitation	94,340	7,974	-	-
Parks and recreation	9,200	-	-	-
Maintenance	48,417	-	-	-
Interest and fiscal charges	46,803	-	-	-
Total governmental activities	<u>2,166,939</u>	<u>220,506</u>	<u>111,898</u>	<u>23,600</u>
Business-type activities:				
Sewer	525,170	454,936	-	-
Water	<u>1,174,553</u>	<u>1,271,703</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,699,723</u>	<u>1,726,639</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 3,866,662</u>	<u>\$ 1,947,145</u>	<u>\$ 111,898</u>	<u>\$ 23,600</u>

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

CITY OF MANSFIELD, LOUISIANA

Statement of Activities
For the Year Ended December 31, 2005

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
Primary Government:			
Governmental Activities:			
General government	\$ (823,961)	\$ -	\$ (823,961)
Public safety	(586,270)	-	(586,270)
Public works	(209,918)	-	(209,918)
Sanitation	(86,366)	-	(86,366)
Parks and recreation	(9,200)	-	(9,200)
Maintenance	(48,417)	-	(48,417)
Interest and fiscal charges	(46,803)	-	(46,803)
Total governmental activities	<u>(1,810,935)</u>	<u>-</u>	<u>(1,810,935)</u>
Business-type activities:			
Sewer	-	(70,234)	(70,234)
Water	-	97,150	97,150
Total business-type activities	<u>-</u>	<u>26,916</u>	<u>26,916</u>
Total Primary Government	<u>\$ (1,810,935)</u>	<u>\$ 26,916</u>	<u>\$ (1,784,019)</u>
General Revenues:			
Taxes-			
Property taxes	288,707	-	288,707
Sales and use taxes	911,066	-	911,066
Franchise taxes	334,119	-	334,119
Licenses and permits	225,561	-	225,561
Video poker revenue	169,907	-	169,907
Interest and investment earnings	21,960	44,236	66,196
Miscellaneous	23,928	-	23,928
Transfers	<u>(1,028)</u>	<u>1,028</u>	<u>-</u>
Total general revenues and transfers	<u>1,974,220</u>	<u>45,264</u>	<u>2,019,484</u>
Change in net assets	<u>163,285</u>	<u>72,180</u>	<u>235,465</u>
Net assets- beginning of year	<u>709,779</u>	<u>2,505,506</u>	<u>3,215,285</u>
Net assets - end of year	<u>\$ 873,064</u>	<u>\$ 2,577,686</u>	<u>\$ 3,450,750</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 MANSFIELD, LOUISIANA

Balance Sheet -- Governmental Funds
December 31, 2005

	General Fund	Non-Major Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents:	\$ 639,517	\$ 1,028	\$ 640,545
Certificates of deposit	200,881	-	200,881
Taxes receivable	166,858	-	166,858
Accounts receivable	115,260	-	115,260
Total assets	<u>\$ 1,122,516</u>	<u>\$ 1,028</u>	<u>\$ 1,123,544</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 23,196	\$ -	\$ 23,196
Cash bonds payable	17,400	-	17,400
Payroll withholdings	1,092	-	1,092
Accrued salaries payable	36,715	-	36,715
Deferred revenue	20,465	-	20,465
Due to other funds	2,657	1,028	3,685
Total liabilities	<u>101,525</u>	<u>1,028</u>	<u>102,553</u>
Fund balances:			
Reserved:			
Capital projects	200,881	-	200,881
Unreserved:			
Undesignated	820,110	-	820,110
Total fund balances	<u>1,020,991</u>	<u>-</u>	<u>1,020,991</u>
Total liabilities and fund balances	<u>\$ 1,122,516</u>	<u>\$ 1,028</u>	<u>\$ 1,123,544</u>

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

CITY OF MANSFIELD, LOUISIANA

Reconciliation of Fund Balances on the Balance Sheet for Governmental
Funds to Net Assets of Governmental Activities on the Statement of Net Assets
December 31, 2005

Fund Balance - total governmental funds		\$ 1,020,991
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	\$ 2,281,366	
Deduct - accumulated depreciation	<u>(1,615,808)</u>	
		665,558
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Those liabilities consist of:		
LCDA Revenue Bond	<u>(810,000)</u>	
		(810,000)
Interest on long-term debt is accrued in the Statement of Net Assets but not in the governmental funds		<u>(3,485)</u>
Net assets of governmental activities		<u>\$ 873,064</u>

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

CITY OF MANSFIELD, LOUISIANA

**Statement of Revenues, Expenditures, and Changes
In Fund Balances – Governmental Funds
For the Year Ended December 31, 2005**

	<u>General Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
REVENUES			
Taxes:			
Ad valorem	\$ 288,707	\$ -	\$ 288,707
Sales and Use	911,066	-	911,066
Franchise	334,119	-	334,119
Licenses and permits	225,561	-	225,561
Fees, charges and commissions	84,045	-	84,045
Video poker revenue	169,907	-	169,907
Fines and forfeitures	136,501	-	136,501
Intergovernmental:			
Federal grants:	47,747	-	47,747
State funds:	87,751	-	87,751
Interest	21,960	-	21,960
Miscellaneous	23,888	-	23,888
Total revenues	<u>2,331,252</u>	<u>-</u>	<u>2,331,252</u>
EXPENDITURES			
Current:			
General government:	806,434	-	806,434
Public safety	894,729	-	894,729
Public works	220,611	-	220,611
Sanitation	94,340	-	94,340
Parks and recreation	5,797	-	5,797
Maintenance	48,417	-	48,417
Capital outlay	110,364	-	110,364
Debt service:			
Principal retirement	50,000	-	50,000
Interest	43,318	-	43,318
Total expenditures	<u>2,274,010</u>	<u>-</u>	<u>2,274,010</u>
Excess of revenues over (under) expenditures	<u>57,242</u>	<u>-</u>	<u>57,242</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(1,028)</u>	<u>(1,028)</u>
NET CHANGE IN FUND BALANCE	57,242	(1,028)	56,214
FUND BALANCE - beginning of year	963,749	1,028	964,777
FUND BALANCE - end of year	<u>\$ 1,020,991</u>	<u>\$ -</u>	<u>\$ 1,020,991</u>

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

CITY OF MANSFIELD, 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 December 31, 2005

Net Change in Fund Balance - total governmental funds	\$ 56,214
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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 (\$110,364) exceeds depreciation expense (\$49,808) in the current period.	60,556
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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.	50,000
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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	<u>(3,485)</u>
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Change in Net Assets - statement of activities	<u>\$ 163,285</u>
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The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

PROPRIETARY FUNDS

CITY OF MANSFIELD, LOUISIANA

Statement of Net Assets
December 31, 2005

	Business-type Activities- Enterprise Funds		
	Sewer Fund	Water Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 193,021	\$ 399,878	\$ 592,899
Certificates of deposit	-	73,783	73,783
Receivables	75,149	200,402	275,551
Due from other funds	1,028	2,657	3,685
Total current assets	<u>269,198</u>	<u>676,720</u>	<u>945,918</u>
Restricted Assets:			
Cash and cash equivalents	183,869	306,546	490,415
Certificates of deposit	217,739	255,285	473,024
Total restricted assets	<u>401,608</u>	<u>561,831</u>	<u>963,439</u>
Non-current assets:			
Bond issue costs - net of accumulated amortization	24,592	-	24,592
Capital assets (net of accumulated depreciation)	2,247,867	434,528	2,682,395
Total non-current assets	<u>2,272,459</u>	<u>434,528</u>	<u>2,706,987</u>
Total assets	<u>\$ 2,943,265</u>	<u>\$ 1,673,079</u>	<u>\$ 4,616,344</u>

(Continued)

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

CITY OF MANSFIELD, LOUISIANA

Statement of Net Assets
December 31, 2005

	Business-type Activities- Enterprise Funds		
	Sewer Fund	Water Fund	Total
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 1,382	\$ 16,231	\$ 17,613
Accrued salaries	4,314	14,677	18,991
Accrued interest payable	10,054	10,343	20,397
Current portion of bonds payable	134,000	27,000	161,000
Total current liabilities	<u>149,750</u>	<u>68,251</u>	<u>218,001</u>
Payable from restricted assets:			
Customer deposits	-	157,711	157,711
Non-current liabilities:			
Bonds Payable	957,000	782,000	1,739,000
Deferred loss on current refunding	-	(76,054)	(76,054)
Total non-current liabilities	<u>957,000</u>	<u>705,946</u>	<u>1,662,946</u>
Total liabilities	<u>1,106,750</u>	<u>931,908</u>	<u>2,038,658</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,156,867	(374,472)	782,395
Restricted for debt service	336,804	130,100	466,904
Unrestricted	<u>342,844</u>	<u>985,543</u>	<u>1,328,387</u>
Total net assets	<u>\$ 1,836,515</u>	<u>\$ 741,171</u>	<u>\$ 2,577,686</u>

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

CITY OF MANSFIELD, LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended December 31, 2005

	Business-type Activities- Enterprise Funds		
	Sewer Fund	Water Fund	Total
OPERATING REVENUES:			
Charges for services:			
Water sales	\$ -	\$ 1,259,453	\$ 1,259,453
Sewer service	441,894	-	441,894
Other operating revenues	13,042	12,250	25,292
Total operating revenues	<u>454,936</u>	<u>1,271,703</u>	<u>1,726,639</u>
OPERATING EXPENSES:			
Salaries and related expenses	159,875	543,956	703,831
Billing office	2,904	7,855	10,759
Water distribution system	-	88,194	88,194
Sewer collection system	21,963	-	21,963
Treating facilities	30,677	315,113	345,790
General and administrative	13,702	82,088	95,790
Depreciation	251,532	51,128	302,660
Total operating expenses	<u>480,653</u>	<u>1,088,334</u>	<u>1,568,987</u>
OPERATING INCOME (LOSS)	<u>(25,717)</u>	<u>183,369</u>	<u>157,652</u>
NON-OPERATING REVENUES- (EXPENSES):			
Interest earnings	13,887	30,349	44,236
Interest expense	(41,443)	(80,369)	(121,812)
Amortization of bond costs	(3,074)	(5,850)	(8,924)
Total non-operating revenues (expenses)	<u>(30,630)</u>	<u>(55,870)</u>	<u>(86,500)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(56,347)</u>	<u>127,499</u>	<u>71,152</u>
Transfers from other funds	<u>1,028</u>	<u>-</u>	<u>1,028</u>
CHANGE IN NET ASSETS	<u>(55,319)</u>	<u>127,499</u>	<u>72,180</u>
TOTAL NET ASSETS - beginning of year	<u>1,891,834</u>	<u>613,672</u>	<u>2,505,506</u>
TOTAL NET ASSETS - end of year	<u>\$ 1,836,515</u>	<u>\$ 741,171</u>	<u>\$ 2,577,686</u>

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

CITY OF MANSFIELD, LOUISIANA

Statement of Cash Flows
For the Year Ended December 31, 2005

	Business-type Activities- Enterprise Funds		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 430,353	\$ 1,217,257	\$ 1,647,610
Payments to suppliers	(92,134)	(591,927)	(684,061)
Payments to employees	(114,419)	(413,957)	(528,376)
Net cash provided by operating activities	<u>223,800</u>	<u>211,373</u>	<u>435,173</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(27,724)	(68,302)	(96,026)
Proceeds from issuance of long-term debt	-	809,000	809,000
Principal paid on long-term debt	(129,000)	(935,000)	(1,064,000)
Interest paid on long-term debt	(31,389)	(70,026)	(101,415)
Net cash used by capital and related financing activities	<u>(188,113)</u>	<u>(264,328)</u>	<u>(452,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments matured	225,829	237,922	463,751
Investments purchased	(217,739)	(329,068)	(546,807)
Interest received	13,887	30,349	44,236
Net cash provided by investing activities	<u>21,977</u>	<u>(60,797)</u>	<u>(38,820)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	57,664	(113,752)	(56,088)
Cash and Cash Equivalents, Beginning of Year	319,226	820,176	1,139,402
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 376,890</u>	<u>\$ 706,424</u>	<u>\$ 1,083,314</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:			
Cash and cash equivalents	\$ 193,021	\$ 399,878	\$ 592,899
Restricted cash and cash equivalents	183,869	306,546	490,415
Total	<u>\$ 376,890</u>	<u>\$ 706,424</u>	<u>\$ 1,083,314</u>

(Continued)

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

CITY OF MANSFIELD, LOUISIANA

Statement of Cash Flows
For the Year Ended December 31, 2005

	Sewer Fund	Water Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (25,717)	\$ 183,369	\$ 157,652
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	251,532	51,128	302,660
Amortization expense	3,074	5,850	8,924
Increase in accounts receivable	(24,583)	(54,446)	(79,029)
Increase in customer deposits	-	12,854	12,854
Increase (decrease) in accounts payable	(492)	10,671	10,179
Increase in accrued expenses	4,314	10,453	14,767
Increase in accrued interest payable	10,054	10,343	20,397
Other	5,618	(18,849)	(13,231)
Total adjustments	249,517	28,004	277,521
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 223,800	\$ 211,373	\$ 435,173
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	None	None	None

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

FIDUCIARY FUNDS

CITY OF MANSFIELD, LOUISIANA

Statement of Net Assets
December 31, 2005

	<u>AGENCY FUND</u>
	<u>International Paper</u>
ASSETS	
Cash and cash equivalents	\$ 23,813
Accounts receivable	68,825
Total assets	<u>\$ 92,638</u>
LIABILITIES	
Accounts payable	\$ 67,638
Unsettled deposit	25,000
Total liabilities	<u>\$ 92,638</u>

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

CITY OF MANSFIELD, LOUISIANA

Schedule of Changes in Unsettled Deposits
For the Year Ended December 31, 2005

	<u>AGENCY FUND</u>
	<u>International Paper</u>
ADDITIONS:	
International Paper	<u>\$ 538,263</u>
DEDUCTIONS:	
Electricity	528,664
Salaries and related	2,520
Telephone	1,827
Other miscellaneous	5,252
Total deductions	<u>538,263</u>
CHANGE IN UNSETTLED DEPOSITS	-
UNSETTLED DEPOSITS - January 1	<u>25,000</u>
UNSETTLED DEPOSITS - December 31	<u>\$ 25,000</u>

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 MANSFIELD, LOUISIANA

Notes to the Financial Statements December 31, 2005

Introduction:

The City of Mansfield, Louisiana (City) was incorporated in 1847 under the provisions of Act 128 of the General Assembly of the State of Louisiana. The City is located in the Parish of DeSoto.

The City operates under the Mayor-Board of Aldermen form of government. Elected officials of the City consist of the mayor and five (5) aldermen, 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 City provides the following services as authorized by its charter: police and fire protection, water and sewerage, sanitation, streets, and general administrative services.

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.

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.

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 – 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 City (primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose a financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no entities that were determined to be component units of the City of Mansfield, Louisiana.
- B. Basis of Presentation - The accompanying basic financial statements of the City have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The City's 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.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

1. Summary of Significant Accounting Policies (Continued):

- 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 three categories: governmental, proprietary, and fiduciary. The City uses governmental funds to account for all or most of the City's general activities and the accumulation of resources and payments made for principal and interest on long-term general obligation debt. 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.

Capital Project Fund – The LCDBG Fund is used to account for all financial resources used for the acquisition or construction of major capital facilities funded through the Louisiana Community Development Block Grant Program.

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

- *Sewer Fund* – Accounts for the provision of 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.
- *Water Fund* – Accounts for the provision of water 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.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

1. **Summary of Significant Accounting Policies (Continued):**

C. Fund Accounting – (Continued)

Fiduciary Funds – Fiduciary funds are used to account for assets held by a governmental entity for other parties (either as a trustee or as an agent) and that cannot be used to finance the governmental entity's own operating programs. Fiduciary funds focus on net assets and changes in net assets. The only fund accounted for in this category by the City is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations; consequently, agency funds have no measurement focus, but use the accrual basis of accounting.

- *International Paper Fund* - Accounts for assets held by the City as an agent for the International Paper Corporation.

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 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, interest, and other items not properly included in program revenues.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

1. Summary of Significant Accounting Policies (Continued):

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

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 the general fund, the sewer fund, and the water fund 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 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.

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, and fees are recognized in the period they are collected by the City.

Interest earnings on deposits are recorded when earned.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

1. **Summary of Significant Accounting Policies (Continued):**

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

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 payments are recorded as expenditure when paid. The amount of general obligation bonds outstanding at December 31, 2005 has been reported only in the government-wide financial statements.

Proprietary Fund Financial Statements – The financial statements of the proprietary fund 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.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

1. Summary of Significant Accounting Policies (Continued):

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

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

An annual appropriated operating budget of proposed expenditures and the means of financing them is adopted annually for the general fund. Budgets are prepared in conformity with GAAP using the modified accrual basis of accounting. Budget comparison statements included in the accompanying financial statements include the original adopted budget and final amounts, if amended, and actual results (on a budgetary basis).

Budgets are adopted on a line item basis. Administrative adjustments can be made on a departmental basis between line item accounts only. Interdepartmental amendments, interfund amendments, and additional appropriations from one fund to another are subject to board approval. The overall level of control is on an interdepartmental 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 six months or less when purchased. Investments are interest-bearing time deposits with original maturities dated in excess of six 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 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 ad valorem taxes, franchise taxes, sales and use taxes, and video poker 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 ad valorem taxes and water and sewer service charges. Uncollectible amounts due 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. 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.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

1. Summary of Significant Accounting Policies (Continued):

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 a threshold level of \$1,000 for capitalizing assets.

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.

In accordance with GASB Statement 34, because of the costs involved in retroactively capitalizing infrastructure, the City has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB Statement 34 forward and will not retroactively capitalize infrastructure.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of net assets. 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:

<u>Description</u>	<u>Estimated Lives</u>
Computer and peripheral equipment	4-5 years
Equipment	3-10 years
Portable building	10 years
Water meters	10 years
Water pumping station	20 years
Water distribution system	40 years
Sewerage treatment plant	20 years
Sewerage collection system	20 years

I. Compensated Absences

City employees earn from ten (10) to twenty (20) days of vacation leave and from twelve (12) to thirty (30) days of sick leave each year. Vacation leave does not accumulate and accrued sick leave does not vest with the employee; therefore, there is no accrual for compensated absences as of December 31, 2005.

J. Interfund Transactions

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

All other interfund transactions are reported as transfers.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

1. Summary of Significant Accounting Policies (Continued):

K. Interfund Balances (Due from/to Other Funds)

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and due from other funds". These receivables and payables are classified as internal balances on the statement of net assets and as due from/to other funds in the fund financial statements.

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

L. 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.

M. 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.

N. Long-term Debt –

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.

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.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

1. Summary of Significant Accounting Policies (Continued):

N. Long-term Debt – (continued)

The City's long term debt consists of general obligation and revenue bonds payable.

O. Fund Equity

In the government-wide financial statements, fund 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.

- P. Encumbrances** – The City does not utilize encumbrance accounting. Management does not believe that the use of encumbrance accounting would provide any significant benefit for budgetary purposes.

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

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

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.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

2. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents:

At December 31, 2005, the City had cash and cash equivalents (book balances) totaling \$1,747,672 as follows:

Cash on hand	\$ 550
Demand deposits	1,372,317
LAMP deposits	374,805
	<u>\$ 1,747,672</u>

Investments:

At December 31, 2005, the City had investments (book balances) totaling \$747,688 as follows:

Time deposits	<u>\$ 747,688</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

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 by the City that the fiscal agent bank 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 and investments 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 bank balances of \$2,746,881 which were fully protected by \$700,000 of federal depository insurance and \$2,211,456 of pledged securities held by the custodial bank in the name of the City.

Interest Rate Risk: 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: 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.

Cash equivalents held at December 31, 2005 include \$374,805, invested with the Louisiana Asset Management Pool (LAMP), a local government investment pool. The Louisiana Asset Management Pool is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

2. Cash and Cash Equivalents and Investments – (continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based upon quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

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

3. Property Taxes:

For the year ended December 31, 2005, taxes of 16.82 mills were levied on properties with assessed valuations totaling \$18,092,600 and were dedicated as follows:

General alimony	8.25 mills
Operating	8.57 mills

Total ad valorem taxes levied were \$304,326. Taxes receivable at December 31, 2005, were \$70,315.

The following are the principal taxpayers and the related ad valorem tax assessment:

Taxpayer	Assessed Valuation	Tax Amount	Percent of Total Assessed Valuation
Hibernia National Bank	\$ 1,112,911	\$ 18,719	6.15%
BellSouth Telecommunications	761,040	12,801	4.21%
CLECO	760,090	12,785	4.20%
Hendrix Manufacturing	596,672	10,036	3.30%
Community Bank of Louisiana	573,453	9,645	3.17%
Mansfield Auto World	479,580	8,067	2.65%
Brookshire Grocery Company	429,076	7,217	2.37%
Wal-Mart Louisiana, LLC	405,969	6,828	2.24%
DeSoto Plaza Associates	340,705	5,731	1.88%
Peoples State Bank	254,766	4,285	1.41%
	<u>\$ 5,714,262</u>	<u>\$ 96,114</u>	<u>31.58%</u>

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005**4. Receivables:**

As of December 31, 2005, receivables consist of the following:

	Governmental Activities	Business-Type Activities		Fiduciary Activities	
	General Fund	Sewer Fund	Water Fund	Agency Fund	Total
Taxes:					
Sales	\$ 82,737	\$ -	\$ -	\$ -	\$ 82,737
Ad valorem	70,315	-	-	-	70,315
Franchise	94,975	-	-	-	94,975
Video poker	28,984	-	-	-	28,984
Water utility	-	-	200,402	-	200,402
Sewer utility	-	75,149	-	-	75,149
Federal grants	3,100	-	-	-	3,100
Other	2,008	-	-	68,825	70,833
	<u>\$ 282,118</u>	<u>\$ 75,149</u>	<u>\$ 200,402</u>	<u>\$ 68,825</u>	<u>\$ 626,494</u>

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

Amounts due from and to other funds as reported in the fund financial statements at December 31, 2005, are as follows:

Receivable Fund	Payable Fund	Amount
Sewer Fund	Nonmajor Fund	\$ 1,028
Water Fund	General Fund	2,657
		<u>\$ 3,685</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.

Transfer In	Transfer Out	Amount
Sewer Fund	Nonmajor Fund	\$ 1,028

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

6. Capital Assets:

Capital assets and depreciation activity as of and for the year ended December 31, 2005 for the City is as follows:

	Balance January 1, 2005	Additions	Retirements and Transfers	Balance December 31, 2005
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 103,904	\$ -	\$ -	\$ 103,904
Capital assets being depreciated:				
Buildings	522,216	-	-	522,216
Improvements other than buildings	951,464	73,822	-	1,025,286
Equipment	170,966	15,994	-	186,960
Office furniture	1,055	-	-	1,055
Vehicles	421,397	20,548	-	441,945
Total capital assets being depreciated	2,067,098	110,364	-	2,177,462
Less accumulated depreciation for:				
Buildings	(299,219)	(11,737)	-	(310,956)
Improvements other than buildings	(832,225)	(6,696)	-	(838,921)
Equipment	(122,603)	(17,781)	-	(140,384)
Office furniture	(229)	(70)	-	(299)
Vehicles	(311,724)	(13,524)	-	(325,248)
Total accumulated depreciation	(1,566,000)	(49,808)	-	(1,615,808)
Total capital assets - net	\$ 605,002	\$ 60,556	\$ -	\$ 665,558

Depreciation expense of \$49,808 for the year ended December 31, 2005, was charged to the following governmental functions:

General government	\$ 17,527
Public safety	26,650
Public works	2,228
Parks and recreation	3,403
Total	<u>\$ 49,808</u>

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005**6. Capital Assets (Continued):**

	Balance January 1, 2005	Additions	Retirements and Transfers	Balance December 31, 2005
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 18,745	\$ -	\$ (18,745)	\$ -
Land	70,361	-	-	70,361
	<u>89,106</u>	<u>-</u>	<u>(18,745)</u>	<u>70,361</u>
Capital assets being depreciated:				
Buildings	3,095	-	-	3,095
Water treatment plant	2,218,380	24,706	-	2,243,086
Machinery and equipment	351,337	14,423	-	365,760
Pumping station	961,832	12,365	-	974,197
Transmission line	1,958,822	-	-	1,958,822
Water system	643,868	16,807	-	660,675
Sewer system	2,907,635	27,723	-	2,935,358
Sewer treatment plant	2,111,448	-	-	2,111,448
Total capital assets being depreciated	<u>11,156,417</u>	<u>96,024</u>	<u>-</u>	<u>11,252,441</u>
Less accumulated depreciation for:				
Buildings	(3,095)	-	-	(3,095)
Water treatment plant	(2,174,960)	(4,592)	-	(2,179,552)
Machinery and equipment	(332,927)	(12,912)	-	(345,839)
Pumping station	(838,128)	(13,412)	-	(851,540)
Transmission line	(1,958,822)	-	-	(1,958,822)
Water system	(482,416)	(20,213)	-	(502,629)
Sewer system	(1,276,729)	(146,435)	-	(1,423,164)
Sewer treatment plant	(1,270,670)	(105,096)	-	(1,375,766)
Total accumulated depreciation	<u>(8,337,747)</u>	<u>(302,660)</u>	<u>-</u>	<u>(8,640,407)</u>
total capital assets - net	<u>\$ 2,907,776</u>	<u>\$ (206,636)</u>	<u>\$ (18,745)</u>	<u>\$ 2,682,395</u>

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

7. Long-Term Obligations:

The following is a summary of the long-term obligation transactions for the year ended December 31, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Funds:				
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds	\$ 860,000	\$ -	\$ (50,000)	\$ 810,000
Proprietary Funds:				
Series 1996 Sewer Revenue Bonds	226,000	-	(22,000)	204,000
Series 1997 Water Revenue Refunding Bonds	935,000	-	(935,000)	-
Series 2003 Sewer Revenue Bonds	994,000	-	(107,000)	887,000
Series 2005 Water Revenue Refunding Bonds	-	809,000	-	809,000
Less; Deferred loss on current refunding	-	-	(76,054)	(76,054)
	<u>2,155,000</u>	<u>809,000</u>	<u>(1,140,054)</u>	<u>1,823,946</u>
Total	<u>\$ 3,015,000</u>	<u>\$ 809,000</u>	<u>\$ (1,190,054)</u>	<u>\$ 2,633,946</u>

Bonds payable at December 31, 2005, are comprised of the following individual issues:

Revenue Bonds:

Louisiana Local Government Environmental Facilities and Community Development Authority 5.41% Bonds, dated December 2001 in the original amount of \$1,000,000. Scheduled principal and interest payments due annually through 2016.	\$ 810,000
Sewer Revenue Bonds, Series 1996, interest at 2.45%, dated March 1, 1997, in the original amount of \$345,383. Scheduled principal and interest payments due annually through March 1, 2014.	204,000
Sewer Revenue Bonds, Series 2003 (Refunding 1992 Bonds) at variable interest rates, in the original amount of \$1,056,000. Schedules principal and interest payments due annually through March, 2012.	887,000
Water Refunding Bonds, Series 2005 (Refunding 1997 Bonds) at variable interest rates dated October 5, 2005, in the original amount of \$809,000. Scheduled principal and interest payments due annually through April 1, 2018.	<u>809,000</u>
	2,710,000
Less:	
Current portion of long-term debt	(216,000)
Deferred loss on current refunding	<u>(76,054)</u>
Total long-term debt	<u>\$ 2,417,946</u>

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005**7. Long-Term Obligations (Continued):**

The total annual requirements to amortize all debt outstanding as of December 31, 2005, including interest payments of \$730,846 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental funds:			
General Fund:			
LCDA Revenue Bond:			
2006	\$ 55,000	\$ 41,817	\$ 96,817
2007	60,000	38,517	98,517
2008	60,000	34,917	94,917
2009	65,000	31,467	96,467
2010	70,000	28,413	98,413
2011-2016	500,000	92,456	592,456
Total governmental funds	<u>810,000</u>	<u>267,587</u>	<u>1,077,587</u>
Proprietary funds:			
Sewer Fund:			
Series 1996 Revenue Bond:			
2006	18,000	4,778	22,778
2007	19,000	4,325	23,325
2008	21,000	3,835	24,835
2009	22,000	3,308	25,308
2010	24,000	2,744	26,744
2011-2016	100,000	5,096	105,096
	<u>204,000</u>	<u>24,086</u>	<u>228,086</u>
Series 2003 Refunding Revenue Bond:			
2006	116,000	23,606	139,606
2007	119,000	20,578	139,578
2008	121,000	17,490	138,490
2009	126,000	14,337	140,337
2010	129,000	10,701	139,701
2011-2012	276,000	8,927	284,927
	<u>887,000</u>	<u>95,639</u>	<u>982,639</u>
Total Sewer Fund	<u>1,091,000</u>	<u>119,725</u>	<u>1,210,725</u>
Water Fund:			
Series 2005 Refunding Revenue Bond:			
2006	27,000	42,677	69,677
2007	43,000	41,503	84,503
2008	43,000	39,364	82,364
2009	47,000	37,068	84,068
2010	51,000	34,532	85,532
2011-2018	598,000	148,390	746,390
	<u>809,000</u>	<u>343,534</u>	<u>1,152,534</u>
Total proprietary funds	<u>1,900,000</u>	<u>463,259</u>	<u>2,363,259</u>
Total	<u>\$ 2,710,000</u>	<u>\$ 730,846</u>	<u>\$ 3,440,846</u>

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

7. Long-Term Obligations (Continued):

On October 5, 2005, the City completed a current refunding of outstanding Water Revenue Bonds, Series 1997. GASB Statement No. 23, requires that the difference between the book value of the refunded debt and the amount required to retire the debt be accounted for as a deferral and capitalized as a contra liability account (offset against bonds payable) and amortized in a systematic manner over the lesser of the original remaining life of the old bonds or the life of the new bonds.

8. Restricted Assets

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 system. The revenue of the water and sewer system and the various special 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 operating and maintenance 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:

Waterworks Revenue Bond and Interest Sinking Fund – The City must transfer into this fund, each month, one twelfth of the principal and one-sixth of the interest due on the next principal and interest payment dates. Such transfers will be fully sufficient to promptly and fully pay principal and interest installments as they become due and may be used only for such payments.

Waterworks Revenue Bond Reserve Fund – The City must transfer into this fund, each month, an amount equal to five percent of the amount paid into the Sinking Fund until there will have accumulated in the Reserve Fund an amount equal to the Reserve Fund Requirement of \$80,900. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.

Waterworks Depreciation and Contingencies Fund – The City must transfer into this fund, each month, an amount equal to five percent of the amount paid into the Sinking Fund until there will have accumulated in the Depreciation and Contingencies Fund an amount equal to \$25,000. The money in the Depreciation and Contingencies Fund shall be used to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the system. In addition, the money in this fund may be used to pay the principal and interest on bonds payable for which there is not sufficient money in the Sinking Fund or the Reserve Fund.

Sewer Revenue Bond Sinking Fund – The City must transfer into this fund, each month, an amount equal to the principal and interest accruing on the outstanding principal amount of the bonds for such calendar month. Such transfers will be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

8. Restricted Assets – (continued)

Sewer Revenue Bond Debt Service Reserve Fund – The City must transfer into this fund on or before the 20th of each month an amount equal to twenty-five percent of the amount required to be paid into the Sinking Fund until there will have accumulated in the Debt Service Reserve Fund an amount equal to the Reserve Fund Requirement of \$140,138. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.

Sewer System Renewal and Replacement Fund – The City must transfer into this fund on or before the 20th of each month an amount equal to five percent of the net revenues of the sewer system collected in the prior month until there will have accumulated in the Renewal and Replacement Fund an amount equal to \$75,000. The money in the Renewal and Replacement Fund shall be used for extensions, additions, improvements, renewals, and replacements necessary to properly operate the sewer system. In addition, the money in this fund may be used to pay the principal and interest on bonds payable for which there is not sufficient money in the Sinking Fund or the Debt Service Reserve Fund.

At December 31, 2005, the City is in compliance with each of the funding requirements described above.

9. Retirement Systems

Substantially all employees of the City of Mansfield, 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.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements December 31, 2005

9. Retirement Systems

Municipal Employees Retirement System of Louisiana (System) – (continued)

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 16.00% 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 Mansfield, 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 Mansfield, Louisiana's contributions to the System under Plan A for the years ending December 31, 2005, 2004 and 2003 were \$149,942, \$128,299 and \$94,431, respectively, equal to the required contributions for each year.

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 Mansfield, Louisiana, is required to contribute at an actuarially determined rate. The current rate is 16.25% of annual covered payroll. The contribution requirements of plan members and the City 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 Mansfield, Louisiana's contributions to the System for the year ending December 30, 2005, 2004 and 2003 were \$66,938, \$63,803, and \$39,705, respectively, equal to the required contributions for each year.

10. Commitments and Contingencies

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 all risks of loss, including workers' compensation and employee health and accident insurance. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

CITY OF MANSFIELD, LOUISIANA

Notes to the Financial Statements
December 31, 2005

10. Commitments and Contingencies – (continued)

Lawsuits

At December 31, the City of Mansfield 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, if any, of the amount or range of potential loss to the City not covered by insurance. As a result of the review, there are no claims or pending litigation which is expected to result in a significant liability to the City which is not considered coverable by insurance.

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.

11. Related Party Transactions:

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended December 31, 2005.

12. On-Behalf Payments:

City employees received a total of \$54,330 in supplemental pay from the State of Louisiana, \$21,600 for firemen and \$32,730 for police officers. 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. These payments are recognized as revenue and as public safety expenditures in the General Fund.

REQUIRED SUPPLEMENTAL INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

CITY OF MANSFIELD, LOUISIANA

Budgetary Comparison Schedule- General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Over/(Under)
	Original	Final	Actual	
REVENUES				
Taxes				
Ad valorem	\$ 298,000	\$ 298,000	\$ 288,707	\$ (9,293)
Sales and Use	743,500	797,600	911,066	113,466
Franchise	271,000	271,000	334,119	63,119
Licenses and permits	216,500	227,100	225,561	(1,539)
Fees, charges and commissions	103,150	136,272	84,045	(52,227)
Video poker revenue	150,000	150,000	169,907	19,907
Fines and forfeitures	135,000	135,000	136,501	1,501
Intergovernmental				
Federal grants	-	-	47,747	47,747
State funds	17,043	28,746	87,751	59,005
Interest	8,700	12,700	21,960	9,260
Miscellaneous	23,800	20,000	23,888	3,888
Total revenues	<u>1,966,693</u>	<u>2,076,418</u>	<u>2,331,252</u>	<u>254,834</u>
EXPENDITURES				
Current:				
General government	871,030	940,530	806,434	134,096
Public safety	732,536	778,861	894,729	(115,868)
Public works	130,335	144,235	220,611	(76,376)
Sanitation	91,639	91,239	94,340	(3,101)
Parks and recreation	3,000	2,000	5,797	(3,797)
Maintenance	44,835	44,235	48,417	(4,182)
Capital outlay	115,000	97,000	110,364	(13,364)
Debt service:				
Principal retirement	50,000	50,000	50,000	-
Interest	43,318	43,318	43,318	-
Total expenditures	<u>2,081,693</u>	<u>2,191,418</u>	<u>2,274,010</u>	<u>(82,592)</u>
NET CHANGE IN FUND BALANCE	(115,000)	(115,000)	57,242	172,242
FUND BALANCE - beginning of year	<u>963,749</u>	<u>963,749</u>	<u>963,749</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 848,749</u>	<u>\$ 848,749</u>	<u>\$ 1,020,991</u>	<u>\$ 172,242</u>

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

CITY OF MANSFIELD, LOUISIANA

Notes to the Budgetary Comparison Schedule For the Year Ended December 31, 2005

The proposed budget for the December 31, 2005, fiscal year was made available for public inspection at the office of the mayor in the City Hall of Mansfield, Louisiana on November 22, 2004. The proposed budget is 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 budget for the fiscal year ended December 31, 2005 was adopted on December 13, 2004.

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

1. The Mayor and City Clerk prepare a proposed budget and submit it to the 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 budget for the year ended December 31, 2005 was amended on October 10, 2005 and November 14, 2005.

The Budgetary Comparison Schedule -- Budget (GAAP Basis) to Actual presents comparisons of the original and final legally adopted budget with the actual data.

OTHER SUPPLEMENTAL INFORMATION

NON-MAJOR GOVERNMENTAL FUND

CITY OF MANSFIELD, LOUISIANA

Balance Sheet –
Non-major Governmental Fund
December 31, 2005

	<u>CAPITAL PROJECT FUND</u>
	<u>LCDBG Grant</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 1,028</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Due to other funds	<u>1,028</u>
Fund Balance:	
Unreserved	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,028</u>

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

CITY OF MANSFIELD, LOUISIANA

**Statement of Revenues, Expenditures, and Changes in Fund Balance –
Non-major Governmental Fund
For the Year Ended December 31, 2005**

	<u>CAPITAL PROJECT FUND</u>
	<u>LCDBG Grant</u>
REVENUES	
Intergovernmental:	
Federal grants	\$ -
EXPENDITURES	
Current	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-
OTHER FINANCING SOURCES (USES)	
Transfers out	<u>(1,028)</u>
NET CHANGE IN FUND BALANCE	(1,028)
FUND BALANCE- beginning of year	<u>1,028</u>
FUND BALANCE- end of year	<u><u>\$ -</u></u>

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

CITY OF MANSFIELD, LOUISIANA

Schedule of Mayor and Aldermen's Compensation
For the Year Ended December 31, 2005

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 2005, the following amounts were paid to the Mayor and Aldermen:

	<u>Per Diem</u>	<u>Expense Re-imbursements</u>	<u>Total</u>
Honorable Curtis W. McCoy - Mayor	\$ 18,000	\$ 1,752	\$ 19,752
Aldermen:			
Honorable G. B. Hall, III - District A	6,000	-	6,000
Honorable J. Dudley Kemper - District B	6,000	-	6,000
Honorable Mitchell L. Lewis - District C	6,000	-	6,000
Honorable John H. Mayweather, Sr. - District D	6,000	-	6,000
Honorable Alvin Ray Woodley - District E	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Totals	<u>\$ 48,000</u>	<u>\$ 1,752</u>	<u>\$ 49,752</u>

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

**OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS
AND THE LOUISIANA GOVERNMENTAL AUDIT GUIDE**

**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 performed in accordance with *Government Auditing Standards* 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

INDEPENDENT AUDITOR'S 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 Curtis W. McCoy, Mayor
and the members of the Board of Aldermen of
The City of Mansfield, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the remaining aggregate fund information of the City of Mansfield, Louisiana, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, and have issued my report thereon dated August 2, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05-5 and 05-6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 05-5 and 05-6 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 item 05-1, 05-2, 05-3, and 05-4.

910 PIERREMONT ROAD, SUITE 410, SHREVEPORT, LA 71106
PHONE 318-861-8606 FAX 318-861-8676

This report is intended solely for the information and use of management, the Board of Aldermen, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record and is distributed by the Legislative Auditor under Louisiana Revised Statute 24:513.

William E. Weatherford, CPA, LLC

William E. Weatherford, CPA, LLC
Certified Public Accountant
Shreveport, Louisiana
August 2, 2006

AUDIT FINDINGS

CITY OF MANSFIELD, LOUISIANA

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2005

FINDINGS RELATED TO COMPLIANCE

Item: 05-1

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 June 30, 2006.

Questioned costs:

None

Context:

The City's annual financial audit was issued after the mandatory due date of June 30, 2006.

Effect:

The City is not in compliance with Louisiana Revised Statute (LSA-R.S.) 24:513(A) (5) (a).

Cause:

Prior to December 31, 2005, the City entered into an agreement to have the 2005 audit prepared. During March 2006, the auditor withdrew from the engagement. On April 27, 2006, the City entered another audit agreement; however, this left too little time to complete the audit in a timely manner.

Recommendation:

The City should enter a contract for audit services prior to December 31, 2006.

Item: 05-2

Criteria or specific requirement:

Louisiana Revised Statute 39:1212 requires funds collected by the City to be deposited in a timely fashion (i.e. daily).

Condition:

Collected revenues are not promptly deposited into the bank.

Questioned costs:

None

CITY OF MANSFIELD, LOUISIANA

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2005

Context:

I noted delays of as long as fourteen (14) days between the collection of funds and the deposit of those funds into a bank account.

Effect:

Failure to promptly deposit fines causes a loss of interest revenue and provides an opportunity for possible misappropriation or theft of funds.

Cause:

Unknown.

Recommendation:

All funds collected by the City should be promptly deposited in compliance with Louisiana Revised Statute 39:1212.

Item: 05-3

Criteria or specific requirement:

Article VII Section 14 of the Louisiana Constitution prohibits the loaning, pledging, or donation of the funds, credit, property, or things of value of any political subdivision to or for any person, association, or corporation, public or private.

Condition:

I noted that the City has numerous payout agreements with water and sewer customers.

Questioned costs:

None

Context:

With the Mayor's approval, the City enters payout agreements with delinquent water and sewer customers.

Effect:

The City has lost the timely use of public funds and potential interest revenue.

Cause:

The City is not forcefully pursuing collection of delinquent customer accounts or enforcing the City's cut-off policy.

Recommendation:

The City should immediately cease providing payout arrangements to delinquent water and sewer customers and should strictly enforce the formal cut-off policy.

CITY OF MANSFIELD, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2005

Item: 05-4

Criteria or specific requirement:

The City is required to include supplemental pay provided by the State of Louisiana to firemen and policemen as taxable income in its quarterly payroll reports (Federal Form 941) and in the wage reports (Federal Form W-2) provided to the employees.

Condition:

The City did not properly report the supplemental pay received by firemen and policemen.

Questioned costs:

None

Context:

The City provided incorrect payroll reports to the Internal Revenue Service and provided inaccurate earnings information to its employees.

Effect:

The City and the certain employees have filed inaccurate payroll and tax reports.

Cause:

The City was unaware of the requirement to include supplemental payments in the employees' wages.

Recommendation:

The City should file corrected Federal Forms 941 and provide effected employees corrected wage reports (Federal Form W-2C)

FINDINGS RELATED TO INTERNAL CONTROL

Item: 05- 5

Criteria or specific requirement:

The City is required to maintain its accounting records in accordance with generally accepted accounting principles. These principles require the use of a system of double entry accounting whereby the books balance, i.e. total debits are equal to total credits.

Condition:

The trial balance of the General Fund was significantly out of balance at December 31, 2005.

Questioned costs:

None

CITY OF MANSFIELD, LOUISIANA

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2005

Context:

The financial records of the City were incorrect for several months.

Effect:

The monthly financial statements of the General Fund were incorrect.

Cause:

The City Clerk and Accountant are not properly reviewing the City's financial information and investigating and correcting obvious errors or misstatements.

Recommendation:

The City Clerk and the City Accountant should closely review the City's financial information, on at least a monthly basis, and should immediately investigate and correct obvious misstatements or errors.

Item: 05-6

Criteria or specific requirement:

In 2004, the City purchased "Jayhawk" computer software at a cost of \$31,589 to improve the efficiency and effectiveness of the City's financial reporting.

Condition:

The City has not devoted the effort or the resources necessary to fully implement the software and therefore has not achieved the benefits available through full utilization of the program. Due to partial implementation of the "Jayhawk" software, certain key reports for the utility funds are not generated by City employees on a monthly basis.

Questioned costs:

Unknown.

Context:

Employees of the City Utility Department do not generate the following key reports on a monthly basis:

- Aged accounts receivable trial balance.
- Monthly consumption report.
- Monthly non-cash credit report

Effect:

The City does not have a complete audit trail for transactions occurring in the Utility Funds and is not capturing vital information to allow analytical review of the financial data to ensure completeness and accuracy.

CITY OF MANSFIELD, LOUISIANA

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2005

Cause:

City employees have not been instructed to print these reports on a monthly basis nor have they received adequate training in report production.

Recommendation:

The City should closely review the monthly reports available through the "Jayhawk" program and establish a policy requiring the monthly production and retention of key "audit trail" reports. Furthermore, the City should provide employees sufficient training to facilitate effective use of the software. The City should also consider employing a financial consulting firm to assist in a complete evaluation of the accounting procedures employed by the City.

CITY OF MANSFIELD, LOUISIANA

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2005

Item: 04-01

Criteria or specific requirement:

The City did not comply with the public bid law.

Condition:

In 2004, the City purchased computer software costing \$31,589 without utilizing the public bid process under Louisiana Revised Statute 38:2111 or a request for proposals under Louisiana Revised Statute 38:2234-2237.

Status

Resolved.

Item: 04- 02

Criteria or specific requirement:

Internal controls over payroll operations are not adequate.

Condition:

The Mayor's approval of the wage and salary increases for 2005 was formally documented on an approval form signed by the Mayor and the respective employee on or about January 20, 2005. 2005 pay rate increases were included in the final payroll for 2004. Time and attendance reports for several employees were not signed by the employees' supervisors and the employees.

Status

Resolved.

Item: 04- 03

Criteria or specific requirement:

Deficiencies in the operation of the City's financial accounting system.

Condition:

- Check numbers were not utilized in a numerical sequence.
- Journal entries are recorded in a manual ledger prior to entering the entry into the computerized general ledger.
- The City does not have any one knowledgeable employee overseeing the overall financial accounting operations and ensuring that the financial reports generated by the system are accurate, complete, and timely prepared.

Status

Unresolved.

Item: 04- 04

CITY OF MANSFIELD, LOUISIANA

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2005

Criteria or specific requirement:

Expenditures for services are not supported by invoices that contain sufficient detail to enable management to make a determination as to whether the amount being paid for services is reasonable and customary.

Condition:

During 2004, JaLi'Ve Enterprises, LLC, received compensation of \$28,000 from the City. JaLi'Ve invoiced the City for retainer fees and for grant administration fees.

Status

Resolved.

Item: 04- 05

Criteria or specific requirement:

Article VII, Section 14 of the Louisiana Constitution prohibits the City from donating funds or things of value to any person, association, or corporation, public or private

Condition:

The City used City employees and City-owned equipment to provide ground maintenance for the DeSoto Multicultural Center which is owned by the DeSoto Parish Police Jury.

Status

Resolved.



The City of Mansfield

INCORPORATED 1847

P. O. BOX 773

705 POLK STREET

Mansfield, Louisiana 71052

PHONE: (318) 872-0406

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MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 05-01

In March 2006, the City of Mansfield was notified that the auditor that had been used for the prior year would not be available to perform the 2005 financial audit. The City of Mansfield had to locate and hire another auditor. The City of Mansfield will contract for audit services for 2006 prior to December 31, 2006.

CURTIS W. MCCOY
MAYOR

Finding 05-02

The City of Mansfield will make daily deposits into the proper bank accounts.

GAIL W. MITCHELL
CITY CLERK

Finding 05-03

The Mayor will not longer allow payout agreements with water or sewer customers. Accounts that are delinquent will be disconnected and will not be turned back on until the account balance is paid.

G. B. HALL III
ALDERMAN, DISTRICT A

Finding 05-04

The law changed for 2005 supplemental pay reporting. The City's computer system was not altered to account for this reporting change. Revised W-2s have been provided to employees and will be reported correctly in subsequent years.

J. DUDLEY KEMPER
ALDERMAN, DISTRICT B

Finding 05-5

There was an error in the computer system that was made in March 2004. This error was the result of a computer entry that deleted a prior year balance. The account balances shown on the financial statements were actually correct. The computer showed an error because of the change in the prior year. This computer error was corrected while the auditors were at City Hall preparing the 2005 Audit.

MITCHELL L. LEWIS
ALDERMAN, DISTRICT C

JOHN H. MAYWEATHER, SR.
ALDERMAN, DISTRICT D

Finding 05-6

The aged accounts receivable report is now being run at the end of each month as well as the monthly consumption report.

ALVIN RAY WOODLEY
ALDERMAN, DISTRICT E

AN EQUAL OPPORTUNITY EMPLOYER

