

2159

RECEIVED  
LEGISLATIVE AUDITOR  
2007 NOV -1 AM 10:54

OFFICIAL  
FILE COPY  
DO NOT SEND OUT  
(Xerox necessary  
copies from this  
copy and PLACE  
BACK in FILE)

# CITY OF ALEXANDRIA, LOUISIANA Financial Report

April 30, 2007

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 11/7/07

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Table of Contents**

	<u>Exhibit</u>	<u>Page</u>
<hr/>		
<b>Financial Section</b>		
Independent Auditor's Report.....		1-2
<hr/>		
<b>Required Supplemental Information - Part I</b>		
Management's Discussion and Analysis.....		3-15
<hr/>		
<b>Basic Financial Statements</b> .....		16
<hr/>		
<b>Government-Wide Financial Statements</b> .....		17
Statement of Net Assets.....	A	18
Statement of Activities.....	B	19
<hr/>		
<b>Fund Financial Statements</b> .....		20
Balance Sheet - Governmental Funds.....	C	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	D	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	E	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	F	24
Statement of Net Assets - Proprietary Funds.....	G	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds.....	H	26
Reconciliation of Change in Net Assets for Enterprise Funds Reported in the Statement of Revenues, Expenses, and Changes in Net Assets to Net Assets for Business-Type Activities Reported in the Statement of Activities.....	I	27
Statement of Cash Flows - Proprietary Funds.....	J	28-29
Statement of Fiduciary Net Assets - Fiduciary Funds.....	K	30
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	L	31
<hr/>		
<b>Notes to Financial Statements</b> .....		32-69
<hr/>		

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Table of Contents**

	<u>Schedule</u>	<u>Page</u>
<b>Required Supplemental Information - Part II</b> .....		70
General Fund - Budgetary Comparison Schedule .....	1	71
City Sales Tax Special Revenue Fund - Budgetary Comparison Schedule .....	2	72
<b>Supplemental Information</b> .....		73
Schedule of Expenditures of Federal Awards .....	3	74
Utilities System Enterprise Fund - Unaudited Summary of Utility Service Customers .....	4	75
Unaudited Listing of Insurance in Force .....	5	76-77
<b>Other Reports Required By <i>Government Auditing Standards</i> and OMB Circular A-133</b> .....		78
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....		79-81
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....		82-85
Schedule of Findings and Questioned Costs .....		86-90
<b>Other Comments and Recommendations</b> .....		91-94
<b>Special Letter</b>		
Re: Resolution Number 2341-1982 Requirement of Specific Recommendations .....		95-97
<b>Management's Corrective Action Plan</b> .....		98-100
<b>Management's Schedule of Prior Year Findings</b> .....		101-102



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
Established 1945

### Independent Auditor's Report

The Honorable Mayor and City Council  
City of Alexandria, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Alexandria, Louisiana, as of and for the year ended April 30, 2007, 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 Alexandria's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Louisiana, as of April 30, 2007, 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*, we have also issued a report dated October 22, 2007, on our consideration of the internal control over financial reporting of the City of Alexandria, Louisiana, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

MARVIN A. JUNEAU, C.P.A.  
ERNEST F. SASSER, C.P.A.  
ROBERT L. LITTON, C.P.A.

ROBERT W. DYORAK, C.P.A.  
REBECCA B. MORRIS, C.P.A.  
MICHAEL A. JUNEAU, C.P.A.

JAMES N. BALLARD, C.P.A.  
CINDY L. HUMPHRIES, C.P.A.



H. FRED RANDOW, C.P.A.

1415 METRO DRIVE • P.O. BOX 13200 • ALEXANDRIA, LA 71315-3200

PH: (318) 443-1893 • FAX: (318) 443-2515



PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council  
City of Alexandria, Louisiana

The management's discussion and analysis and budgetary comparison information presented on pages 3 through 15 and 70 through 72 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alexandria, Louisiana's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The summary of utility service customers and the listing of insurance in force marked "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

October 22, 2007

**Required Supplemental Information –  
Part I**

**Management's Discussion and Analysis**

**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**

---

Our discussion and analysis of the City of Alexandria's financial performance provide an overview of the City's financial activities for the fiscal year ended April 30, 2007. Please read it in conjunction with the City's financial statements, which begin on page 16.

### **Financial Highlights**

- The City's assets exceeded liabilities by \$260.9 million. Of this total, \$16 million in net assets are unrestricted, and may be used to meet future obligations of the City's creditors.
- The City's net assets increased by \$18.5 million during the 2007 Fiscal Year. This is the result of an increase of \$10.5 million in net assets from governmental activities and an increase of \$8 million in net assets from business activities.
- Unrestricted net assets increased \$9.4 million in Fiscal 2007. This is the net result of an increase of \$5.5 million from governmental activities and an increase of \$3.9 million from business-type activities.
- Unrestricted fund balance in the General Fund is \$18.3 million, which amounts to approximately 40% of the expenditures of the General Fund in Fiscal 2007.
- The City's long-term debt decreased by \$6 million, due to scheduled payments on bonds.

### **Overview of the Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 18 and 19) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **Reporting On The City As A Whole**

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

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

See Independent Auditor's Report

**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**

---

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

- **Governmental activities** - Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- **Business-type activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's utilities, sanitation and transit are reported here.
- **Component units** - The City includes two separate legal entities, the City Court and City Marshal. Although legally separate, these "component units" are important because the City is financially accountable for them. These component units present separately issued audit reports that may be obtained from their administrative offices located at 515 Washington Street, Alexandria, Louisiana.

### **Reporting the City's Most Significant Funds**

#### ***Fund Financial Statements***

The fund financial statements begin on page 21 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- ***Governmental funds*** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following these fund financial statements.
- ***Proprietary funds*** - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. *Proprietary funds* are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, such as the City's Risk Management.



**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**

**The City as Trustee**

***Reporting the City's Fiduciary Responsibilities***

The City is the trustee, or *fiduciary*, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 30 and 31. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Government Wide Financial Analysis**

The following table reflects a condensed version of the Statement of Net Assets displaying 2006 and 2007:

**City of Alexandria, LA**  
**Condensed Statement of Net Assets (in millions)**  
**April 30, 2006 and April 30, 2007**

	2006 Governmental	2007	2006 Business	2007	2006 Total	2007
<b>Assets</b>						
Current & Other Assets	59.8	67.3	18.9	21.8	78.7	89.1
Restricted Assets	0	0	31.1	27.5	31.1	27.5
Capital Assets	134.6	137.4	112.4	113.8	247.0	251.2
<b>Total Assets</b>	<b>194.4</b>	<b>204.7</b>	<b>162.4</b>	<b>163.1</b>	<b>356.8</b>	<b>367.8</b>
<b>Liabilities</b>						
Current Liabilities	9.6	10.6	13.9	10.2	23.5	20.8
Long Term Liabilities	40.4	39.2	50.5	46.9	90.9	86.1
<b>Total Liabilities</b>	<b>50.0</b>	<b>49.8</b>	<b>64.4</b>	<b>57.1</b>	<b>114.4</b>	<b>106.9</b>
<b>Net Assets</b>						
Invested in Capital Assets (Net)	119.0	119.5	74.5	79.2	193.5	198.7
Restricted	25.1	29.9	16.8	16.3	41.9	46.2
Unrestricted	0.3	5.5	6.6	10.5	6.9	16.0
<b>Total Net Assets</b>	<b>144.4</b>	<b>154.9</b>	<b>97.9</b>	<b>106.0</b>	<b>242.3</b>	<b>260.9</b>

As of April 30, 2007, the City's net assets total \$260.9 million, showing an increase of about 8% over the 2006 total of \$242.3 million. Roughly 76% of the City's total net assets reside in the Capital Assets category. These are land, buildings, infrastructure, equipment and other items required for the City to furnish its goods and services to citizens on the governmental side of operations and customers on the business side of operations. These assets are not available for appropriation (spending), as they are not intended to be sold. Restricted net assets account for \$46.1 million, or 18%, of the total. Restrictions are placed by entities outside the City government, such as bondholders. These assets are also not available for appropriation. The remaining \$16 million, or 6%, of net assets is unrestricted and is available for appropriation.

See Independent Auditor's Report

**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**

The following table is a condensed version of the Statement of Activities displaying 2006 and 2007:

**City of Alexandria, LA**  
**Condensed Statement of Activities (In Millions)**  
**April 30, 2006 and April 30, 2007**

	2006 Governmental	2007	2006 Business	2007	2006 Total	2007
<b>Revenues</b>						
Program Revenues:						
Charges for Services, Fines, Fees	4.2	4.8	114.9	107.7	119.1	112.5
Grants & Contributions	5.2	6.8	1.5	2.8	6.7	9.6
General Revenues:						
Sales Taxes	39.7	41.3			39.7	41.3
Other Taxes	6.1	6.5			6.1	6.5
Other	2.4	3.4	0.2	1.5	2.6	4.9
<b>Total Revenues</b>	<b>57.6</b>	<b>62.8</b>	<b>116.6</b>	<b>112.0</b>	<b>174.2</b>	<b>174.8</b>
<b>Expenses</b>						
General government	11.5	12.8			11.5	12.8
Public safety	23.6	25.6			23.6	25.6
Public works	17.0	14.5			17.0	14.5
Community and economic development	1.4	1.4			1.4	1.4
Interest on long-term debt	1.8	1.7	2.2	2.2	4.0	3.9
Electricity			63.3	55.4	63.3	55.4
Gas			21.2	19.9	21.2	19.9
Water			6.4	4.6	6.4	4.6
Wastewater			7.4	7.9	7.4	7.9
Transit			2.7	3.0	2.7	3.0
Sanitation			3.8	3.8	3.8	3.8
Zoological Park			1.9	2.1	1.9	2.1
Golf Course			1.1	1.3	1.1	1.3
<b>Total Expenses</b>	<b>55.3</b>	<b>56.0</b>	<b>110.0</b>	<b>100.2</b>	<b>165.3</b>	<b>156.2</b>
Change in Net Assets before Transfers	2.3	6.8	6.6	11.8	8.9	18.6
<b>Transfers</b>	<b>6.3</b>	<b>3.8</b>	<b>-6.3</b>	<b>-3.8</b>	<b>0.0</b>	<b>0.0</b>
<b>Increase (Decrease) In Net Assets</b>	<b>8.6</b>	<b>10.6</b>	<b>0.3</b>	<b>8.0</b>	<b>8.9</b>	<b>18.6</b>

The City's total revenues were \$174.8 million and total expenses were \$156.2 million for Fiscal 2007. This results in an increase of net assets before transfers of \$18.6 million. This can be broken down first by governmental and business activities, then broken down further at the fund level.

**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**

---

Net Assets in Governmental Activities increased by \$10.6 million for Fiscal 2007, compared to an increase of \$8.6 million in 2006. Examining the expenses for the 2 years, we see that they are up from \$55.3 million in 2006 to \$56 million in 2007, less than a 1% difference. We see an increase of \$2 million in Public Safety that is more than offset by a decrease of \$2.5 million in Public Works. General Government is up \$1.3 million. Revenues are however up substantially, with all categories listed showing increases. Sales Taxes are up \$1.6 million as are Grants. Major work was done on two capital projects, Broadway Avenue Bridge and Heyman Lane. The City was reimbursed partially for the cost of these by the State thus increasing the Grants revenue from the prior year. Other Taxes, including Franchise Taxes and Ad Valorem (Property) Taxes are up \$.4 million. Other Revenue is up \$1 million, most of which is interest revenue. Charges for Services, Fines, and Fees are up \$.6 million.

Business-type Activities net assets increased \$8 million for Fiscal 2007, an increase of nearly the entire amount over the prior year's virtual break even. Transfers to the Governmental Activities are down \$2.5 million. Major changes in revenues for the year include significant but deceptive decreases in charges for services. The charges for services decrease amounts to \$7.2 million, but \$6 million of that is a reduction in fuel cost recovery for Electric and Gas services. In the long run, the City's costs for Electric and Gas fuel are passed on to the customers and have no effect on the City's finances. In the short run, however, the City can be either recovering costs or rebating costs depending on which way fuel prices are going. As noted earlier, the revenue side of fuel cost is down \$6 million in 2007 compared to 2006. The expense side is down \$12.3 million, which accounts for the vast majority of the increase in Business Type Activities net assets.

### **Individual Fund Analysis**

We will briefly analyze the activity and fund balances of the major funds of the Governmental Funds category and the Business (Proprietary) Funds category, beginning with the General Fund.

#### **Governmental Funds**

##### **General Fund**

The General Fund ended Fiscal 2007 with an increase in Unreserved Fund Balance of about \$3 million. In short, the General Fund took in more than it spent by this amount. There was an increase in Unrestricted Fund Balance for Fiscal 2006 of \$4.1 million. In order to see the change, a comparison of revenues and expenditures of Fiscal 2006 and 2007 is needed.

Revenues and Transfers In increased by \$2.7 million over the previous year. The greatest influence here is the effect of the three City Sales taxes and the Parish Sales tax. Their combined increase is \$1.4 million over the previous year. Licenses & Permits and Property Taxes are each up roughly \$.3 million over the prior year. More modest increases in Fines and Fees along with Interest Revenue account for the remainder of the increase in Revenues and Transfers.

Expenditures and Transfers Out increased \$3.9 million when compared to the previous year. This is due to a variety of factors. A 4% raise was granted to current employees contributing to labor costs increasing by \$1.4 over the previous year. Operating Capital (purchases of vehicles, equipment, etc.) is up by \$.4 million in Fiscal 2007. Transfers Out are up \$1.6 million over the previous year as the General Fund increased its support of other funds such as Sanitation, Zoo, and Golf Course as the revenues these funds generate were not sufficient to pay their costs.

**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**

---

**General Fund Budgetary Highlights**

The original budget of the General Fund reflects the City's plan and financial intent at the beginning of the fiscal year. This is routinely adjusted during the year to better reflect actual revenues available and actual expenditures incurred. The City does its most comprehensive adjustment at Major Budget Amendment (MBA). Revenues and Transfers In were adjusted resulting in a net increase of slightly more than \$3.5 million (7.67%). The Parish Sales Tax was adjusted up by \$500,000. Property Taxes were adjusted up \$99,000; while Licenses and Permits were adjusted up \$316,000. Fines were adjusted \$247,000 and Interest Revenues were adjusted \$175,000. Transfers In was also a major factor, with increases for the City Sales Taxes and other sources totaling over \$1.7 million. The City originally budgeted \$4.3 million in use of fund balance. This was adjusted up by another \$.7million to cover estimated current expenditures in excess of estimated current revenues.

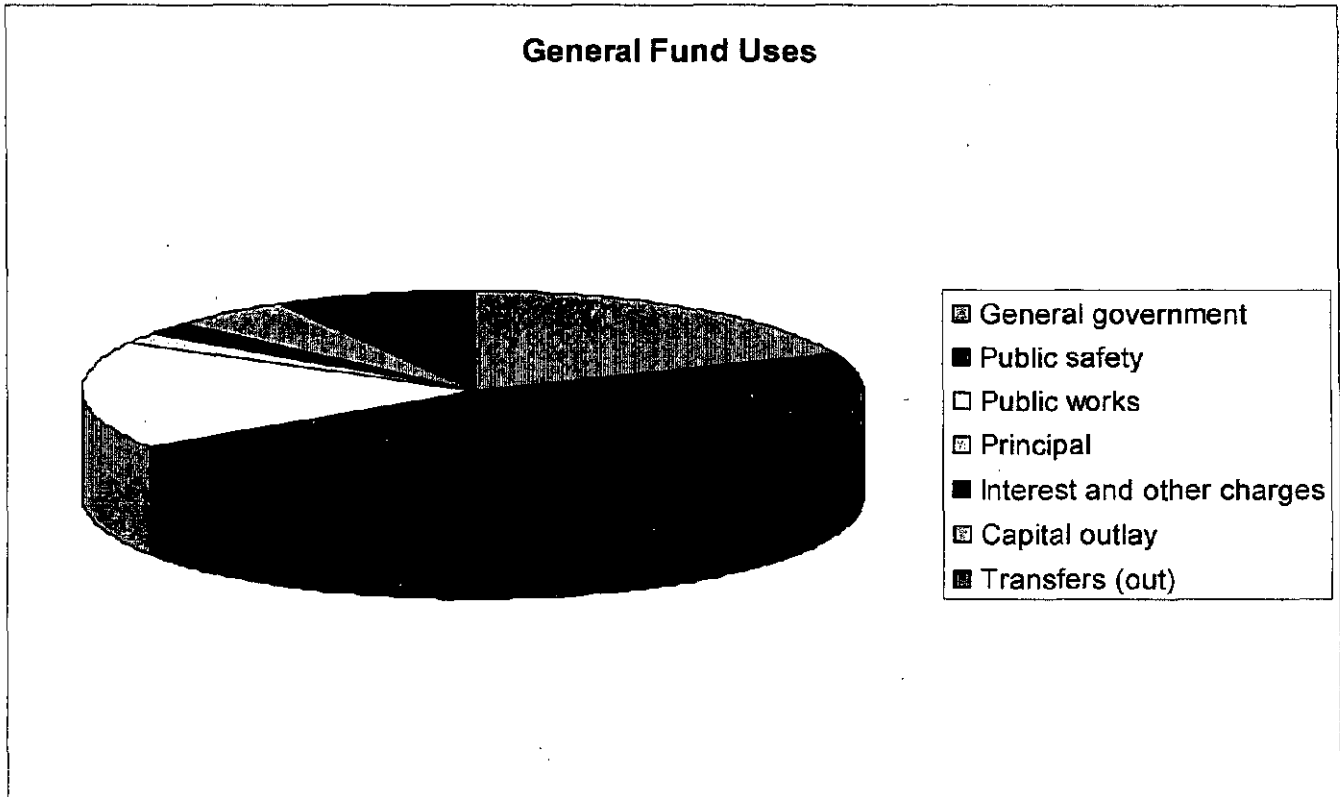
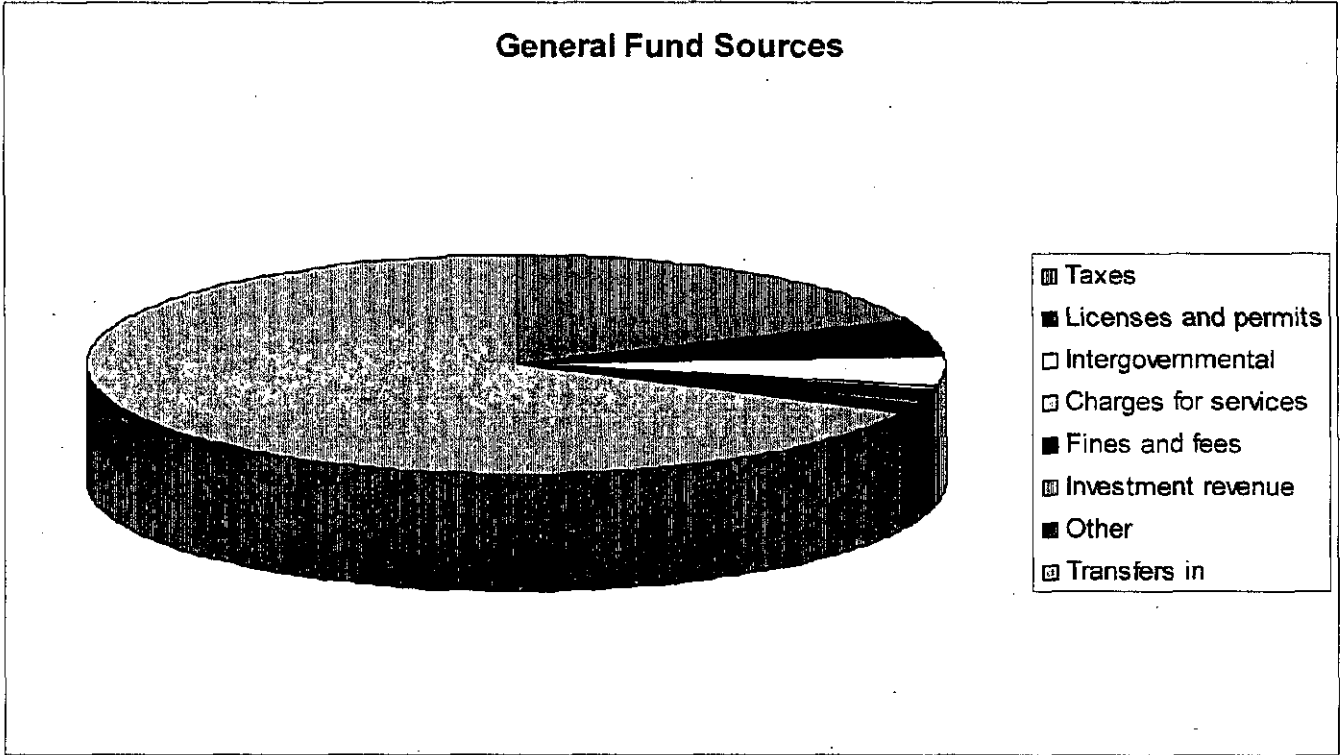
Budgeted Expenditures and Transfers Out were adjusted up during the year by \$1.5 million due to a variety of factors. During 2007, increases in Transfers Out were budgeted for \$1.1 million to the Sanitation, Golf Course and Zoo Funds to assist with deficits in those funds. This was due in part to equipment purchases not anticipated at the beginning of the fiscal year. Overtime and Contract Labor were increased by roughly \$1 million during the year, but this was mostly offset by decreases in salary line items caused by the City having problems filling vacant jobs. Professional Fees were increased \$1 million, mostly in anticipation of litigation issues. Other adjustments were made for Vehicle Maintenance and Fuel, along with Utilities.

Fortunately, the City did not actually use any of the \$5 million in fund balance budgeted for Fiscal 2007. Actual revenues exceeded the budgeted revenues \$3.6 million, while actual expenditures were \$4.4 million less than budgeted expenditures. The greatest factor in the revenues being so much higher than budgeted is the combined sales taxes at \$1.5 million. Transfers In from the Utilities System Fund exceeded budget by \$1.1 million. Cost Allocations, i.e., reimbursements from other funds for services rendered by the General Fund, also netted \$.5 million above the budgeted amounts. Licenses and permits came in above budget by about \$.4 million. The greatest factor in the expenditures coming in so much lower than budgeted is attrition; i.e., vacant employee positions during the year that were budgeted but had no employees to be paid from them. The combined salary and fringes for these vacancies translated to roughly \$1.6 million in reduced expenditures, even after adjusting budgets down at Major Budget Amendment. Capital outlay ordered but not received by the end of the fiscal year amounted to about \$.9 million, these expenditures will appear in Fiscal 2008. Grant funds in the Police Department were budgeted in 2007 and will be mostly expended in 2008; amounting to \$.4 million. Actual Professional Fees were \$.7 million less than budgeted. Reductions in discretionary spending by the departments account for the remainder of the difference in General Fund Expenditures.

**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**

---

The following charts represent the actual sources and uses of General Fund monies for Fiscal 2007:



**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**

---

**City Sales Tax Fund**

The City Sales Tax Fund showed an increase of \$1.1 million in revenues and \$1.2 million in Transfers Out over the previous year. This fund is a "flow through" of three sales taxes passed by the voters of the City. The City Sales Tax Fund receives the money from these sales taxes and transfers it to other funds. Half of the 1976 Sales Tax is transferred to the General Fund, while the remaining half is transferred to General Capital Projects Fund after Debt Service (payment on borrowing) is satisfied. The 1998 Sales Tax and the 2005 Sales Tax are transferred exclusively to the General Fund. The city sales taxes are a major source of revenue for the General Fund and the only perpetual source of revenue for the General Capital Projects Fund.

**General Capital Projects Fund**

Revenues and Transfers In are up approximately \$3.1 million in the General Capital Projects Fund as reported last year. As mentioned earlier, the only perpetual source of revenue for the General Capital Projects Fund is its share of the 1976 Sales Tax. However, it can receive substantial revenues from time to time from state, federal, and private sources to fund specific capital projects. In 2007, the City sold a portion of a street to the Rapides Regional Medical Center allowing the hospital to expand. The \$1 million in proceeds was received in this fund. Intergovernmental Revenues from State and Federal resources were up roughly \$.5 million and Interest Revenue was up \$.4 million. Most of the increase in Intergovernmental Revenues is attributable to a Federal grant for the Broadway Avenue Bridge for \$.6 million. Lastly, Transfers In went up \$1.2 million due to 2 factors; the rise in Sales Tax revenue and a reduction in debt service of \$.7 million from the prior year. As noted earlier, changes in debt service impact the General Capital Projects Fund because this fund received ½ of the proceeds of the 1976 City Sales Tax after debt is paid.

Expenditures for Fiscal 2007 are \$1.6 million above the previous year. Expenditures can vary greatly over two consecutive years in a capital projects fund depending on how far along individual large projects are. Once a project is designed and construction begins, funds can be expended in a relatively short time.

Overall fund balance increased \$4.0 million in 2007 when compared to 2006. Unreserved Fund Balance went up \$4.6 million while Reserved for Encumbrances (projects under contract) went down \$.6 million. Total Fund Balances ended at \$15.9 million for 2007.

**General Capital Projects – 2004 Sales Tax Bonds**

This is a relatively new fund for the City. It is not perpetual as it is funded from the proceeds of a bond issue. As such, it has little revenue, but expenditures will grow as projects in it are done. Expenditures exceeded revenues in this fund by roughly \$1 million in Fiscal 2007, bringing the fund balance down to \$4.5 million. This is the nature of a bond issue capital projects fund. The money is borrowed for purposes of buying, building, or improving capital assets such as streets, parks, and drainage systems. The City will pay the bonds off over time, much like an individual pays off a home mortgage. As the cash is spent down for these purposes, this fund will no longer be a major fund and will cease to exist when the original proceeds are all spent.

**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**

---

**Business Funds**

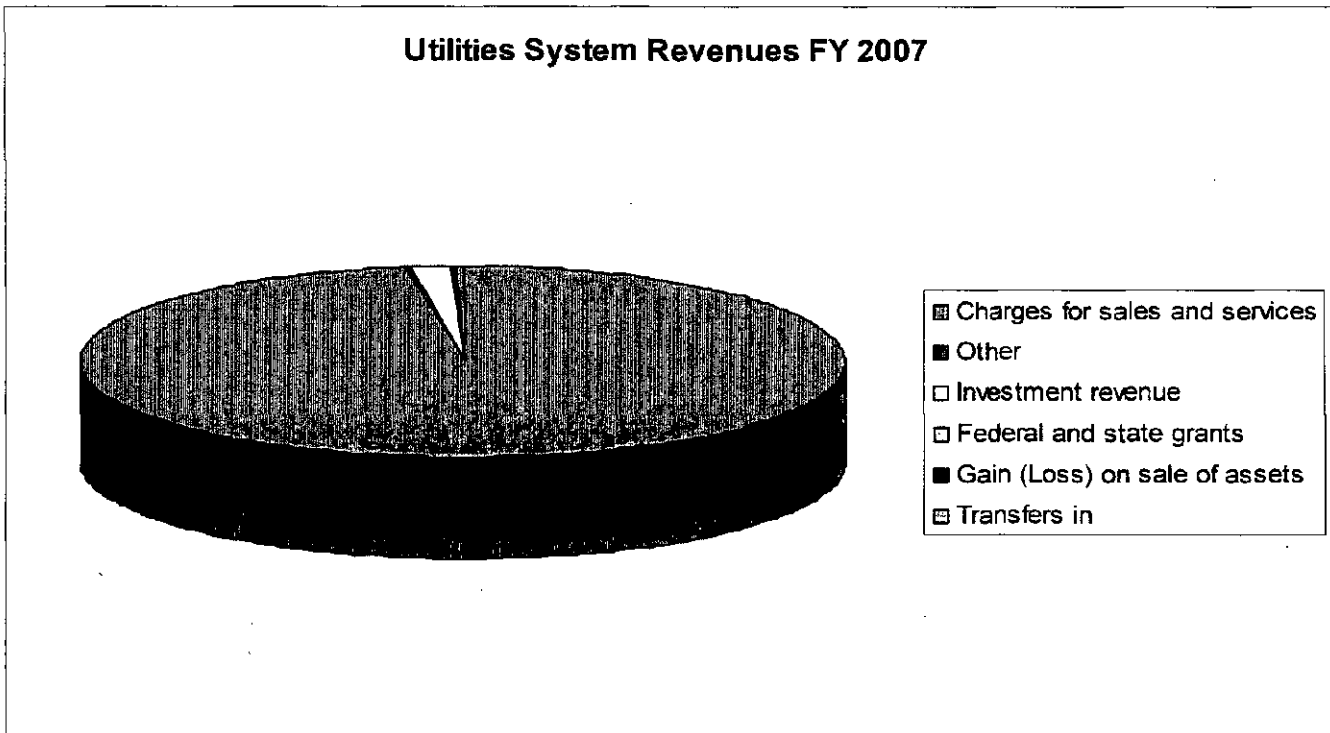
**Utilities System Fund**

The Utilities System Fund is the largest of the City's proprietary funds, dwarfing the Sanitation Fund and Municipal Transit Fund, as well as the recently created Zoo Fund and Golf Course Fund. Revenues in the Utilities System are based on the sales of electricity, water, natural gas, and wastewater service to customers. These revenues, charges for services, are actually down \$7.1 million in 2007 compared to the prior year. This is mostly due to fuel cost recovery. The City does not benefit from fuel cost because that is simply the passing on of costs incurred by the City to its customers. Electric and Gas fuel recovery accounts are down a combined \$6 million in Fiscal 2007 compared to 2006 when prices were higher. The remaining difference is mostly attributable to a reduction in Electrical Sales, with Water, Gas, and Wastewater sales relatively flat.

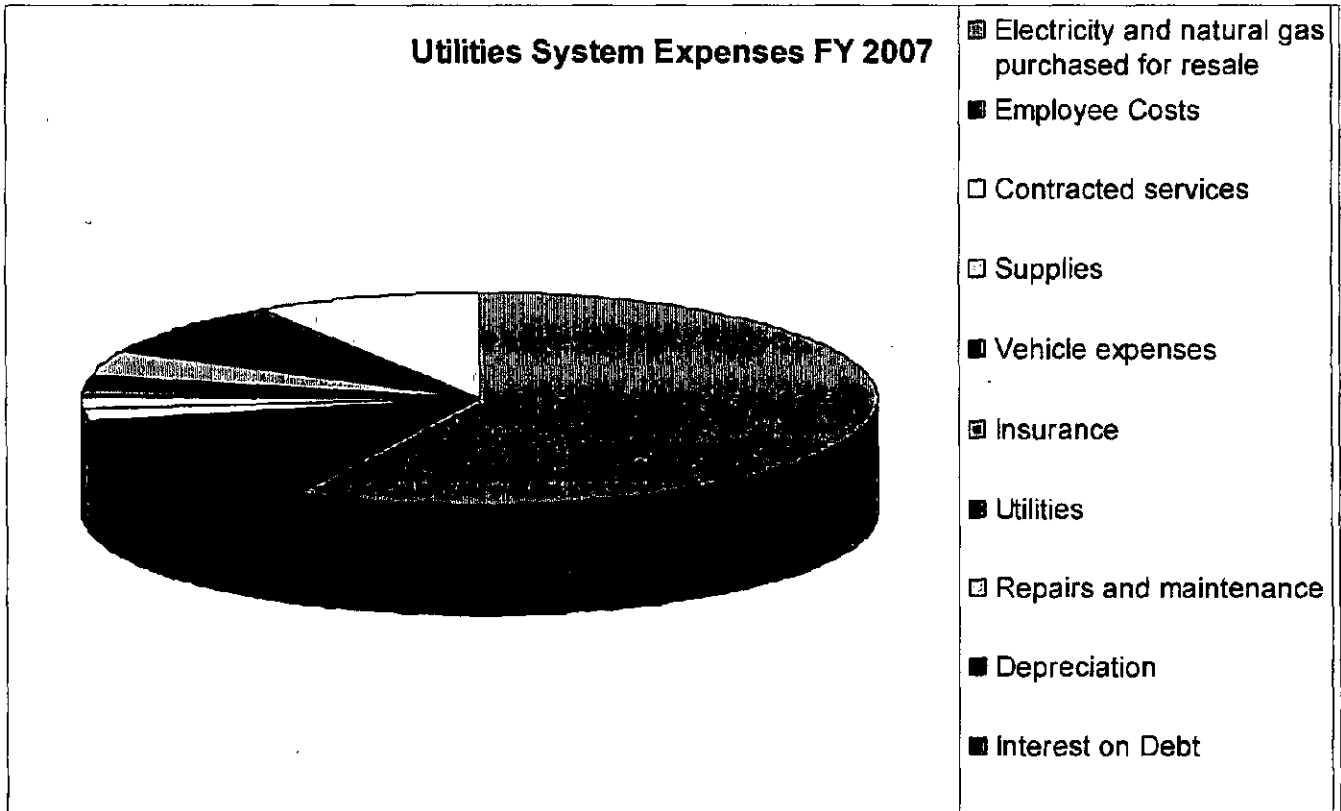
Operating expenses are down \$11.1 million in Fiscal 2007 compared to Fiscal 2006. The biggest factor here is the expense side of fuel cost, actually down \$13.2 million compared to prior year. Personnel costs rose by \$.6 million reflecting the raise given during Fiscal 2007. Contracted Services are up \$1.1 million. Repairs and Maintenance increased by \$.5 million. Transfers Out are substantially the same. A special item was recorded in Fiscal 2006 in the form of an abandon project. This was the Red River Water Plant which was designed but is not presently being considered for construction. The cost written off was roughly \$1.1 million. Special items should be considered in year to year comparisons because they can be deceptive in calculating the "bottom line".

The results of the above were a net gain to the Utilities System Fund of \$6.8 million for Fiscal 2007. This is reflected as an increase in total net assets.

The following charts show the breakdown of revenues and expenses of the Utilities System Fund for Fiscal 2007:



**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**



**Capital Asset and Debt Administration**

**Capital Assets**

***Governmental Funds***

The City had a net increase of \$2.8 million in capital assets this year in governmental activities. These capital assets would include vehicles, equipment, as well as infrastructure, net of depreciation.

***Business Type Funds***

The Business-type funds showed a net increase of about \$1.4 million in capital assets this year. These would include vehicles and equipment as well as infrastructure assets. Infrastructure in the Utilities System consists of electrical substations, gas mains, wastewater lift stations, water tanks and other assets that enable the System to deliver service to its customers. These assets are listed net of depreciation. Depreciation is deducted from original cost to indicate the degree that the assets are "used up". Further information on Fixed Assets and Depreciation can be found in Note 6 of the financial statements.



**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**

**Capital Assets (Net of Depreciation)**

	<u>Governmental</u>		<u>Business</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Land	9,897,120	10,422,863	2,372,646	2,372,646
Construction in Progress	9,628,828	10,937,993	6,786,732	6,943,601
Buildings	66,451,264	68,031,686	3,474,921	3,364,703
Furniture & Fixtures	81,714	209,377	841,554	780,956
Equipment	3,321,636	3,211,134		
Vehicles	3,353,985	3,101,513	2,517,538	4,401,199
Infrastructure	41,888,013	41,542,336	96,382,534	95,962,891
 Net Capital Assets	 134,622,560	 137,456,902	 112,375,925	 113,825,996

In governmental activities, we see that Construction in Progress went up over \$1.3 million in 2007. This reflects completion of projects such as the new Customer Service Center (also classified in business activities), Martin Park Flood Control, Bayou Rapides/Georgetown Drainage, Broadway Avenue Bridge, and Tulane Avenue. These are more than offset by increases for continuing projects such as Heyman Lane, Lincoln Road, and the Extension of Versailles Boulevard. Buildings are up \$1.6 million reflecting the capitalization of the governmental portion of the Customer Service Center.

In business activities, the only significant change is an increase of roughly \$1.9 million in Vehicles. This is due in part to the City's purchase of \$1.1 million in buses for the Transit System, along with \$.4 million in new trucks for the Sanitation Fund.

**Debt Administration**

***Governmental Funds***

The City issued no new Governmental debt during 2007. The changes in debt balance merely reflect payments made on the principal.

***Enterprise Funds***

The City issued no new debt in the Utilities System during 2007. The changes in debt balance merely reflect payments made on the principal. For further information on debt, please see Note 10 to the financial statements.

**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Discussion and Analysis**  
**Year Ended April 30, 2007**

---

**Bonded Long-Term Debt**

	<u>Governmental</u>		<u>Business</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Sales Tax Revenue Bonds	15,960,000	14,855,000		
Ad Valorem Tax Bonds	5,130,000	4,700,000		
Certificates of Indebtedness	16,895,000	16,075,000	1,235,000	1,095,000
Utility Revenue Bonds			48,780,000	45,230,000
<b>Total Outstanding Debt</b>	<b>37,985,000</b>	<b>35,630,000</b>	<b>50,015,000</b>	<b>46,325,000</b>

**Future Outlook**

Looking into next year and beyond, there are some things to consider. General Fund is very labor intensive; over 59% of its 2007 cost was for employee salaries and benefits. Deficit support of the Sanitation, Zoo, and Golf Course Funds placed an additional \$.9 million burden on the General Fund in 2007. Shortfalls in these funds are made up by the General Fund. On a positive note, pension and health care costs remained about the same as the prior year. These costs have risen dramatically over the past 5 years and will require continued monitoring in the General Fund as well as all other funds that have employees. As noted earlier, sales taxes continue to rise providing a good revenue base for the General Fund and the General Capital Projects Fund. With the passing of the 2005 Sales Tax, General Fund has become even more dependent on Sales Tax as the 3 City Taxes and the 1 Parish Tax accounted for almost 65% of General Fund Revenues. Sales taxes tend to be very elastic; changes in the economy are felt relatively quickly. Any negative fluctuation in sales taxes could have dire consequences in the General Fund budget, as well as the Sanitation, Zoo, and Golf Course Funds as these are deficit supported by the General Fund.

In business type activities, the Utilities System Fund shows net income for the second year in a row. As noted previously, this is largely due to the recovery of fuel costs incurred in the prior year, as well as a reduction in bad debt expense of nearly \$.9 million. Bad debt was extremely high in 2006, probably a result of the high fuel costs that made it difficult for many utility customers to pay. At present, the City is looking into alternatives to fuel supply; meanwhile this is a condition that will require vigilance.

**Contacting the Finance Division of the City**

This report is intended as a brief overview of the City's financial condition. Any questions should be directed to the Director of Finance, PO Box 71, Alexandria, LA 71301.

---

David L. Crutchfield, CPA  
 Director of Finance  
 City of Alexandria, Louisiana

See Independent Auditor's Report

## **Basic Financial Statements**

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

**City of Alexandria  
Alexandria, Louisiana  
Statement of Net Assets  
April 30, 2007**

Exhibit A

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 4,558,529	\$ 5,117,411	\$ 9,675,940	\$ 525,825
Investments	2,269,234	-	2,269,234	624,884
Equity in pooled cash and investments	52,905,033	969,377	53,874,410	-
Receivables	4,823,792	14,577,070	19,400,862	49,489
Internal balances	2,323,333	(2,323,333)	-	-
Inventories	245,878	2,769,472	3,015,350	-
Restricted equity in pooled cash and investments	-	27,466,946	27,466,946	-
Prepaid expenses/other assets	113,180	117,430	230,610	2,180
Deferred bond issue costs	-	552,791	552,791	-
Capital assets, net of depreciation				
Nondepreciable				
Land and improvements	10,422,863	2,372,646	12,795,509	-
Construction in progress	-	6,943,601	6,943,601	-
Infrastructure in progress	10,937,993	-	10,937,993	-
Depreciable				
Infrastructure	41,542,335	-	41,542,335	-
Other capital assets	74,553,711	104,509,748	179,063,459	99,286
Total Assets	<u>204,695,881</u>	<u>163,073,159</u>	<u>367,769,040</u>	<u>1,301,664</u>
<b>Liabilities</b>				
Bank overdraft	1,739,030	82,372	1,821,402	-
Equity in pooled cash overdraft	-	1,395,192	1,395,192	-
Accounts and contracts payable	2,040,121	3,021,386	5,061,507	9,864
Accrued interest	578,016	966,815	1,544,831	-
Salaries payable	789,587	523,694	1,313,281	-
Long-term liabilities				
Due within one year				
Bonds, capital leases and other	2,455,000	4,030,000	6,485,000	-
Compensated absences	403,890	213,621	617,511	-
Claims and judgments	2,535,635	-	2,535,635	-
Due in more than one year				
Bonds, capital leases and other	33,175,000	41,722,131	74,897,131	-
Customer guaranteed deposits	-	3,933,491	3,933,491	-
Compensated absences	2,288,708	1,210,518	3,499,226	-
Post employment benefit obligation	295,419	-	295,419	-
Claims and judgments	3,459,000	-	3,459,000	-
Total Liabilities	<u>49,759,406</u>	<u>57,099,220</u>	<u>106,858,626</u>	<u>9,864</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	119,530,517	79,246,353	198,776,870	-
Restricted for				
Capital projects	26,672,406	11,745,357	38,417,763	-
Debt service	2,145,799	3,488,000	5,633,799	-
Capital additions and contingencies	-	1,000,000	1,000,000	-
Community and economic development	641,228	-	641,228	-
Riverfront Center operations	384,792	-	384,792	-
Recreation	14,100	-	14,100	-
Unrestricted	5,547,633	10,494,229	16,041,862	1,291,800
<b>Total Net Assets</b>	<u>\$ 154,936,475</u>	<u>\$ 105,973,939</u>	<u>\$ 260,910,414</u>	<u>\$ 1,291,800</u>

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

City of Alexandria  
Alexandria, Louisiana  
Statement of Activities  
For the Year Ended April 30, 2007

Exhibit B

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government					
					Governmental Activities	Business-Type Activities	Total			
<b>Primary government</b>										
Governmental activities										
General government	\$ 12,784,163	\$ 4,440,285	\$ 289,313	\$ -	\$ (8,054,565)	\$ -	\$ (8,054,565)	\$ -		
Public safety	25,591,707	33,974	1,377,391	-	(24,180,342)	-	(24,180,342)	-		
Public works	14,513,166	270,142	1,290,994	2,454,398	(10,497,632)	-	(10,497,632)	-		
Community and economic development	1,360,554	7,552	1,342,230	59,164	48,392	-	48,392	-		
Interest on long-term debt	1,725,508	-	-	-	(1,725,508)	-	(1,725,508)	-		
<b>Total Governmental Activities</b>	<b>55,975,098</b>	<b>4,751,953</b>	<b>4,299,928</b>	<b>2,513,562</b>	<b>(44,409,655)</b>		<b>(44,409,655)</b>			
Business-type activities										
Electricity	55,445,839	77,005,639	223,187	250,000	22,032,987		22,032,987			
Natural gas	19,950,713	15,510,896	-	-	(4,439,917)		(4,439,917)			
Water	4,630,091	6,358,610	-	-	1,728,519		1,728,519			
Waste water	7,893,242	4,132,833	-	-	(3,760,409)		(3,760,409)			
Municipal transit	2,986,316	385,996	1,023,836	914,053	(682,431)		(682,431)			
Sanitation	3,847,441	3,432,673	164,264	-	(250,504)		(250,504)			
Zoological park	2,087,688	223,064	175,000	38,600	(1,651,024)		(1,651,024)			
Golf course	1,274,602	659,671	-	-	(614,931)		(614,931)			
Interest on long-term debt	2,141,249	-	-	-	(2,141,249)		(2,141,249)			
<b>Total Business-Type Activities</b>	<b>100,257,181</b>	<b>107,689,382</b>	<b>1,586,287</b>	<b>1,202,653</b>	<b>10,221,141</b>		<b>10,221,141</b>			
<b>Total Primary Government</b>	<b>\$ 156,232,279</b>	<b>\$ 112,441,335</b>	<b>\$ 5,886,215</b>	<b>\$ 3,716,215</b>	<b>(44,409,655)</b>		<b>(34,188,514)</b>			
<b>Component Units</b>										
City Marshal	173,072	273,704	-	-	-		-		100,632	
City Court	440,027	615,611	-	-	-		-		175,584	
<b>Total Component Units</b>	<b>\$ 613,099</b>	<b>\$ 889,315</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>		<b>276,216</b>	
<b>General Revenues</b>										
Taxes										
Property taxes					6,199,063		6,199,063			
Sales tax					41,342,871		41,342,871			
Franchise and miscellaneous taxes					279,559		279,559			
Entitlements and shared revenues					91,348		91,348			
Hotel occupancy taxes					374,239		374,239			
Investment earnings					2,534,235	1,753,193	4,287,428			
Miscellaneous					209,565	6,821	216,386			
Gain (loss) on sale of assets					182,926	(228,293)	(46,367)			
Transfers					3,723,538	(3,723,538)	-			
<b>Total General Revenues, Special Items, and Transfers</b>					<b>54,936,344</b>	<b>(2,192,817)</b>	<b>52,743,527</b>			
<b>Change in Net Assets</b>					10,528,689	8,028,324	18,555,013		276,216	
<b>Net Assets, Beginning of Year</b>					144,409,786	97,945,615	242,355,401		1,015,584	
<b>Net Assets, End of Year</b>					<b>\$ 154,938,475</b>	<b>\$ 105,973,939</b>	<b>\$ 260,910,414</b>		<b>\$ 1,291,800</b>	

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

**Fund Financial Statements**

City of Alexandria  
Alexandria, Louisiana  
Balance Sheet  
Governmental Funds  
April 30, 2007

Exhibit C

	General Fund	City Sales Tax	General Capital Projects	2004 Sales Tax General Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 170,519	\$ 3,094,767	\$ 23,249	\$ -	\$ 1,153,440	\$ 4,441,975
Investments	-	-	-	-	3,060,941	3,060,941
Equity in pooled cash and investments	12,986,447	-	14,670,652	4,513,227	11,287,881	43,458,207
Receivables	1,176,467	2,685,685	46,330	-	513,177	4,421,659
Interest receivable	-	-	-	-	28,991	28,991
Due from other funds	6,983,823	-	1,939,708	-	9,502	8,933,033
Inventories	234,144	-	-	-	11,733	245,877
<b>Total Assets</b>	<b>\$ 21,551,400</b>	<b>\$ 5,780,452</b>	<b>\$ 16,679,939</b>	<b>\$ 4,513,227</b>	<b>\$ 16,065,665</b>	<b>\$ 64,590,683</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Bank overdraft	\$ 1,478,446	\$ -	\$ 13,603	\$ -	\$ 246,981	\$ 1,739,030
Accounts payable	678,266	-	790,275	61,462	482,611	2,012,614
Accrued expense/other payables	785,747	-	-	-	2,451	788,198
Due to other funds	220,763	5,816,761	-	-	772,744	6,610,268
Deferred revenue	-	-	-	-	413,614	413,614
<b>Total Liabilities</b>	<b>3,163,222</b>	<b>5,816,761</b>	<b>803,878</b>	<b>61,462</b>	<b>1,918,401</b>	<b>11,563,724</b>
<b>Fund Balances</b>						
Reserved for	-	-	-	-	-	-
Debt service	-	-	-	-	2,145,799	2,145,799
Encumbrances	-	-	1,698,827	477,478	845,428	3,021,733
Unreserved	18,388,178	163,691	14,177,234	3,974,287	-	36,703,390
Unreserved, reported in non-major	-	-	-	-	1,040,120	1,040,120
Special revenue funds	-	-	-	-	10,115,917	10,115,917
Capital project funds	-	-	-	-	14,147,264	14,147,264
<b>Total Fund Balances</b>	<b>18,388,178</b>	<b>163,691</b>	<b>15,876,061</b>	<b>4,451,765</b>	<b>14,147,264</b>	<b>53,026,959</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,551,400</b>	<b>\$ 5,780,452</b>	<b>\$ 16,679,939</b>	<b>\$ 4,513,227</b>	<b>\$ 16,065,665</b>	<b>\$ 64,590,683</b>

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



**City of Alexandria**  
**Alexandria, Louisiana**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Assets**  
**April 30, 2007**

**Exhibit D**

<b>Total Fund Balance, Governmental Funds</b>	<b>\$</b>	<b>53,026,959</b>
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement but are reported in the governmental activities of the Statement of Net Assets.</p>		137,456,902
<p>Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable ), are not due and payable in the current period and are not included in the fund financial statement but are included in the governmental activities of the Statement of Net Assets.</p>		
Bonds, capital leases and other		(35,630,000)
Compensated absences		(2,692,598)
<p>Interest on long-term debt is accrued in the Statement of Net Assets, but not in the governmental funds.</p>		(578,016)
<p>Certain receivables are reported in in the Statement of Net Assets but not in the governmental funds.</p>		321,246
<p>Deferred revenue reported in governmental funds but not in the statement of activities.</p>		413,612
<p>The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>		2,618,370
		2,618,370
<b>Net Assets of Governmental Activities in the Statement of Net Assets</b>	<b>\$</b>	<b>154,936,475</b>

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

City of Alexandria  
Alexandria, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended April 30, 2007

Exhibit E

	General Fund	City Sales Tax	General Capital Projects	2004 Sales Tax General Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes						
Property taxes	\$ 2,160,891	\$ -	\$ -	\$ -	\$ 4,037,202	\$ 6,198,063
Sales taxes	7,576,599	33,766,272	-	-	-	41,342,871
Other	278,559	-	-	-	374,239	653,798
Intergovernmental	2,238,161	-	1,358,353	-	1,325,274	4,921,788
Fees, commissions, and fines	888,434	-	-	-	-	888,434
Licenses and permits	2,962,401	-	-	-	-	2,962,401
Charges for services	321,664	-	-	-	94,364	416,228
Investment earnings	260,175	-	804,499	294,146	693,057	2,051,877
Miscellaneous	443,992	-	1,013,000	-	1,421,870	2,878,862
Total Revenues	17,133,046	33,766,272	3,175,952	294,146	7,946,066	62,315,322
<b>Expenditures</b>						
Current						
General government	9,563,238	-	-	-	739,733	10,302,971
Public safety	23,383,434	-	-	-	-	23,383,434
Public works	8,820,756	-	-	-	132,161	8,952,917
Community and economic development	-	-	-	-	1,167,126	1,167,126
Capital outlay	2,422,582	-	4,954,494	1,298,858	3,575,738	12,251,673
Debt service						
Principal	820,000	-	-	-	1,535,000	2,355,000
Interest and other charges	1,024,980	-	-	-	732,177	1,757,157
Total Expenditures	46,034,990	-	4,954,494	1,298,858	7,881,936	60,170,278
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(28,901,944)	33,766,272	(1,778,542)	(1,004,712)	64,070	2,145,044
<b>Other Financing Sources (Uses)</b>						
Transfers in	36,084,963	-	6,167,333	17,000	1,108,646	43,377,942
Transfers out	(4,257,576)	(33,884,046)	(602,109)	-	(240,417)	(38,984,148)
Proceeds from sale of assets	90,358	-	165,000	-	-	255,358
Total Other Financing Sources and Uses	31,917,745	(33,884,046)	5,730,224	17,000	868,229	4,649,152
<b>Net Change in Fund Balances</b>	3,015,801	(117,774)	3,951,582	(987,712)	932,289	6,794,196
<b>Fund Balances, Beginning of Year</b>	15,372,377	281,465	11,924,479	5,439,477	13,214,965	46,232,763
<b>Fund Balances, End of Year</b>	\$ 18,388,178	\$ 163,691	\$ 15,876,061	\$ 4,451,765	\$ 14,147,264	\$ 53,026,959

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

**City of Alexandria**  
**Alexandria, 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 April 30, 2007**

**Exhibit F**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 6,794,196**

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

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

Capital outlays included in governmental funds	9,052,274
Depreciation included in the Statement of Activities	(6,157,534)

Governmental funds reports proceeds from the disposition of capital assets as revenue. The Statement of Activities reports the gain or loss from the disposition of capital assets (proceeds less basis).

(72,432)

Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

2,355,000

Some revenues reported in the Statement of Activities do not provide current financial resources and these are not reported as revenues in governmental funds. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These timing differences are summarized below:

FEMA grants	(612,391)
Interest expense	31,649
Deferred revenue	(243)
Compensated absences	(197,760)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

(666,070)

**Change in Net Assets of Governmental Activities** **\$ 10,526,689**

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

City of Alexandria  
Alexandria, Louisiana  
Statement of Net Assets  
Proprietary Funds  
April 30, 2007

Exhibit G

	Enterprise Funds			Internal Service Funds
	Utilities System	Other Enterprise Funds	Total	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 4,461,709	\$ 636,420	\$ 5,098,129	\$ 116,556
Equity in pooled cash and investments	-	969,377	969,377	8,655,119
Receivables (net of allowances for uncollectible)	13,953,233	225,398	14,178,631	51,897
Due from other funds	127,819	368,135	495,954	581
Due from other governments	136,070	262,369	398,439	-
Inventories	2,769,472	-	2,769,472	-
Prepaid expenses/other assets	117,430	-	117,430	113,180
<b>Total Current Assets</b>	<b>21,565,733</b>	<b>2,461,699</b>	<b>24,027,432</b>	<b>8,937,333</b>
<b>Non-current assets</b>				
Restricted equity in pooled cash and investments	27,466,946	-	27,466,946	-
<b>Capital assets</b>				
Land and improvements	1,473,816	899,030	2,372,846	-
Construction in progress	6,943,601	-	6,943,601	-
Property, plant and equipment	206,714,398	22,104,843	228,819,241	21,296
Less accumulated depreciation	(116,374,252)	(7,935,240)	(124,309,492)	(7,572)
Deferred bond issue costs	552,791	-	552,791	-
<b>Total Non-Current Assets</b>	<b>126,777,100</b>	<b>15,068,633</b>	<b>141,845,733</b>	<b>13,724</b>
<b>Total Assets</b>	<b>148,342,833</b>	<b>17,530,332</b>	<b>165,873,165</b>	<b>8,951,057</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Bank overdraft	-	63,089	63,089	-
Equity in pooled cash overdraft	744,077	651,114	1,395,191	-
Accounts payable	2,642,664	189,203	2,831,867	13,699
Salaries payable	423,048	100,646	523,694	1,388
Due to other funds	2,400,182	419,105	2,819,287	14
Compensated absences	181,572	32,049	213,621	-
Certificates of indebtedness/capitalized leases	145,000	-	145,000	-
Estimated liability for claims incurred	-	-	-	2,535,835
<b>Totals</b>	<b>6,536,543</b>	<b>1,455,206</b>	<b>7,991,749</b>	<b>2,550,736</b>
<b>Liabilities payable from restricted assets</b>				
Accounts and contracts payable	189,522	-	189,522	-
Interest	966,815	-	966,815	-
Revenue bonds	3,885,000	-	3,885,000	-
<b>Totals</b>	<b>5,041,337</b>	<b>-</b>	<b>5,041,337</b>	<b>-</b>
<b>Noncurrent Liabilities</b>				
Compensated absences	1,028,910	181,808	1,210,518	13,808
Certificates of indebtedness	950,000	-	950,000	-
Customer guaranteed deposits	3,933,491	-	3,933,491	-
Estimated liability for claims incurred	-	-	-	3,459,000
Post employment benefit obligation	-	-	-	295,419
Revenue bonds	40,772,131	-	40,772,131	-
<b>Total Noncurrent Liabilities</b>	<b>46,684,532</b>	<b>181,608</b>	<b>46,866,140</b>	<b>3,768,227</b>
<b>Total Liabilities</b>	<b>58,262,412</b>	<b>1,636,814</b>	<b>59,899,226</b>	<b>6,318,963</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	64,177,720	15,068,633	79,246,353	13,724
Restricted for debt service	3,488,000	-	3,488,000	-
Restricted for capital additions and contingencies	1,000,000	-	1,000,000	-
Restricted for construction	11,745,357	-	11,745,357	-
Unrestricted	9,669,344	824,885	10,494,229	2,618,370
<b>Total Net Assets</b>	<b>\$ 90,080,421</b>	<b>\$ 15,893,518</b>	<b>\$ 105,973,939</b>	<b>\$ 2,632,094</b>

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

City of Alexandria  
 Alexandria, Louisiana  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
 Proprietary Funds  
 For the Year Ended April 30, 2007

	Enterprise Funds			Exhibit H
	Other		Total	
	Utilities System	Enterprise Funds		
<b>Operating Revenues</b>				
Charges for services	\$ 102,756,028	\$ 4,681,267	\$ 107,437,295	\$ 9,147,964
Miscellaneous	251,950	6,956	258,906	106,198
Total Operating Revenues	<u>103,007,978</u>	<u>4,688,223</u>	<u>107,696,201</u>	<u>9,254,162</u>
<b>Operating Expenses</b>				
Electricity and natural gas purchases	56,764,633	-	56,764,633	-
Personnel costs	13,930,421	4,725,762	18,656,183	62,743
Contractual and professional services	1,934,693	212,912	2,147,605	626,518
Disposal costs	-	1,089,702	1,089,702	-
Utilities	2,203,914	807,335	3,011,249	295,419
Repairs and maintenance	3,735,422	176,601	3,912,023	2,880
Vehicle expense	546,124	994,816	1,540,940	-
Other supplies and expenses	1,405,209	498,257	1,903,466	16,722
Miscellaneous expenses	-	200,102	200,102	1,923
Payments in lieu of insurance	760,389	378,179	1,138,568	-
Insurance, claims, and related expenses	-	5,213	5,213	9,422,807
Depreciation	6,198,894	859,775	7,058,669	842
Total Operating Expenses	<u>87,479,699</u>	<u>9,948,654</u>	<u>97,428,353</u>	<u>10,428,854</u>
<b>Operating Income (Loss)</b>	15,528,279	(5,260,431)	10,267,848	(1,174,692)
<b>Nonoperating Revenue (Expenses)</b>				
Investment earnings	1,720,838	32,357	1,753,195	482,362
Operating grants and contributions	223,187	1,363,100	1,586,287	-
Interest expense	(2,141,249)	-	(2,141,249)	-
Gain (loss) on sale of assets	(200,874)	(20,321)	(221,195)	-
Total Nonoperating Revenue (Expenses)	<u>(398,098)</u>	<u>1,375,136</u>	<u>977,038</u>	<u>482,362</u>
<b>Income (Loss) Before Contributions and Transfers</b>	15,130,181	(3,885,295)	11,244,886	(692,330)
Transfers in	-	-	-	-
Transfers out	300,474	6,068,459	6,368,933	25,421
Capital contributions	(8,909,017)	(1,879,131)	(10,788,148)	-
<b>Change in Net Assets</b>	<u>6,771,638</u>	<u>1,256,686</u>	<u>8,028,324</u>	<u>(666,909)</u>
<b>Total Net Assets - Beginning of Year</b>	83,308,783	14,636,832	97,945,615	3,299,003
<b>Total Net Assets - End of Year</b>	<u>\$ 90,080,421</u>	<u>\$ 15,893,518</u>	<u>\$ 105,973,939</u>	<u>\$ 2,632,094</u>

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

**City of Alexandria, Louisiana**  
**Reconciliation of Change in Net Assets for Enterprise Funds**  
**Reported in the Statement of Revenues, Expenses,**  
**and Changes in Net Assets to Net Assets for**  
**Business-Type Activities Reported in the Statement of Activities**  
**For the Year Ended April 30, 2007**

**Exhibit I**

**Change in Net Assets - Enterprise Funds**

\$ 8,028,324

**The Change in Net Assets reported for Business-Type Activities in the Statement of Activities are different because:**

**Change in Net Assets of Business-Type Activities**

\$ 8,028,324

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

**City of Alexandria  
Alexandria, Louisiana  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended April 30, 2007**

**Exhibit J  
(Continued)**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Utilities System</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 100,377,515	\$ 4,635,008	\$ 105,012,523	\$ -
Internal activity - receipts from other funds	1,802,385	-	1,802,385	7,619,371
Other receipts	170,396	288	170,684	1,615,416
Payments for personnel costs	(13,752,160)	(4,313,914)	(18,066,074)	(60,985)
Payments to vendors and others	(66,470,801)	(2,334,441)	(68,805,242)	(9,400,849)
Internal activity - payments to other funds	<u>(2,719,475)</u>	<u>(2,373,266)</u>	<u>(5,092,741)</u>	<u>(12,311)</u>
Net Cash Provided (Used) by Operating Activities	19,407,860	(4,386,325)	15,021,535	(239,358)
<b>Cash Flows from Noncapital Financing Activities</b>				
Bank overdraft	(595,031)	63,089	(531,942)	(454)
Operating grants and subsidies	213,217	1,861,738	2,074,955	
Transfers between funds	<u>(8,392,910)</u>	<u>3,130,451</u>	<u>(5,262,459)</u>	<u>25,434</u>
Net Cash Provided (Used) by Noncapital Financing Activities	(8,774,724)	5,055,278	(3,719,446)	24,980
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital contributions	250,000	885,190	1,135,190	-
Interest received on construction funds	844,689	-	844,689	-
Proceeds from sale of capital assets	1,013,169	-	1,013,169	-
Acquisition or construction of capital assets	(9,305,748)	(1,673,877)	(10,979,625)	(12,041)
Principal paid on capital debt	(3,690,000)	-	(3,690,000)	-
Interest paid on capital debt	<u>(1,974,982)</u>	<u>-</u>	<u>(1,974,982)</u>	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(12,862,872)	(788,687)	(13,651,559)	(12,041)
<b>Cash Flows from Investing Activities</b>				
Net change in equity in pooled cash and investments	3,605,041	(2,063,224)	1,541,817	(286,501)
Interest received on operating funds	<u>876,149</u>	<u>32,355</u>	<u>908,504</u>	<u>482,362</u>
Net Cash Provided (Used) by Investing Activities	4,481,190	(2,030,869)	2,450,321	195,861
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,251,454	(2,150,603)	100,851	(30,558)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,210,255</u>	<u>2,787,023</u>	<u>4,997,278</u>	<u>147,114</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,461,709</u>	<u>\$ 636,420</u>	<u>\$ 5,098,129</u>	<u>\$ 116,556</u>

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

**City of Alexandria  
Alexandria, Louisiana  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended April 30, 2007**

**Exhibit J  
(Concluded)**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Utilities System</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 15,528,279	\$ (5,260,431)	\$ 10,267,848	\$ (1,174,692)
Adjustments to reconcile operating income (loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	6,198,894	859,775	7,058,669	842
Changes in assets and liabilities				
Receivables	(828,077)	(7,983)	(836,060)	(19,375)
Due from other funds	-	(44,945)	(44,945)	-
Prepaid expenses	25,245	-	25,245	-
Inventories	(729,004)	-	(729,004)	-
Accounts payable	(1,300,129)	42,556	(1,257,573)	(4,350)
Accrued expenses and other current liabilities	279,555	16,126	295,681	263
Estimated liability for claims incurred	-	-	-	661,040
Post employment benefit obligation	-	-	-	295,419
Compensated absences	62,701	8,577	71,278	1,495
Customer guaranteed deposits	170,396	-	170,396	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 19,407,860</u>	<u>\$ (4,386,325)</u>	<u>\$ 15,021,535</u>	<u>\$ (239,358)</u>

Additional required disclosure:

There were no material noncash operating, noncapital financing, or capital and related financing activities.

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



City of Alexandria  
 Alexandria, Louisiana  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 April 30, 2007

Exhibit K

	Pension Trust Funds		
	City Employees' Retirement System (12/31/06)	Firemen's Pension and Relief Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,700,489	\$ 3,066	\$ 3,703,555
Receivables			
Interest and dividends	626,519	-	626,519
Investments, at fair value			
Corporate bonds	17,525,486	-	17,525,486
Corporate stocks	49,735,679	-	49,735,679
U.S. Government agency notes	9,772,591	-	9,772,591
Zero coupon treasury receipts	3,778,974	-	3,778,974
GNMA notes	93,284	-	93,284
Certificate of deposit	-	88,709	88,709
Total Investments	80,906,014	88,709	80,994,723
Capital assets			
Furniture, fixtures and equipment-net	2,930	-	2,930
Total Capital Assets	2,930	-	2,930
Total Assets	85,235,952	91,775	85,327,727
<b>Liabilities</b>			
Payroll taxes withheld	570	-	570
Total Liabilities	570	-	570
<b>Net Assets</b>			
Held in trust for pension benefits	\$ 85,235,382	\$ 91,775	\$ 85,327,157

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

**City of Alexandria**  
**Alexandria, Louisiana**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended April 30, 2007**

Exhibit L

	Pension Trust Funds		
	City Employees' Retirement System (12/31/06)	Firemen's Pension and Relief Fund	Total
<b>Additions</b>			
Contributions			
Employer	\$ 5,026,930	\$ 20,000	\$ 5,046,930
Plan members	1,672,547	-	1,672,547
Purchased service, transfers, etc	33,482	-	33,482
Total Contributions	6,732,959	20,000	6,752,959
Investment earnings			
Net appreciation (depreciation) in fair value of investments	4,801,671	-	4,801,671
Interest	1,830,616	3,637	1,834,253
Dividends	1,217,403	-	1,217,403
Total Investment Earnings	7,849,690	3,637	7,853,327
Total Additions	14,582,649	23,637	14,606,286
<b>Deductions</b>			
Plan benefits	5,814,846	21,124	5,835,970
DROP benefits	226,279	-	226,279
Refunds/transfers of contributions	259,071	-	259,071
Administrative	123,212	-	123,212
Total Deductions	6,423,408	21,124	6,444,532
<b>Change in Net Assets</b>	8,159,241	2,513	8,161,754
<b>Net Assets, Beginning of Year</b>	77,076,141	89,262	77,165,403
<b>Net Assets End of Year</b>	\$ 85,235,382	\$ 91,775	\$ 85,327,157

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

**Notes to Financial Statements**

CITY OF ALEXANDRIA, LOUISIANA

April 30, 2007

Notes to Financial Statements

---

**1. Organization And Significant Accounting Policies**

The City of Alexandria, Louisiana (City) is governed under the provisions of the Home Rule Charter adopted June 7, 1977. The City operates under a Mayor - City Council form of government.

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

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

**A. The Financial Reporting Entity**

As mentioned above, the City of Alexandria is governed under the provisions of the Home Rule Charter and operates under a Mayor - City Council form of government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Alexandria and its component units.

Blended Component Units. The Youth Baseball Recreation Board was authorized by the City Council and is governed by a four member board made up of three representatives from the various baseball leagues and one member appointed by the City. The Youth Recreation Fund is reported as if it were part of the primary government because its sole purpose is to operate and maintain the City's baseball complex. The City provides a subsidy to the Board, primarily to finance the operations of the complex.

Discretely Presented Component Units. The component unit columns in the government-wide statements of net assets and statement of activities include the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City Marshal and the City Judge are elected by the voters of the City of Alexandria. The financial statements of each of these entities are included as of their respective fiscal years ended September 30, 2006.

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

CITY OF ALEXANDRIA, LOUISIANA

April 30, 2007

Notes to Financial Statements

---

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

Administrative Offices:

Alexandria City Marshal  
515 Washington Street  
Alexandria, Louisiana

Alexandria City Court  
515 Washington Street  
Alexandria, Louisiana

**B. Basis of Presentation and Accounting**

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

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

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

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

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

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

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

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

**Fund Financial Statements**

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Therefore, separate financial statements are provided for governmental funds, propriety funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**Governmental Funds**

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

The major governmental funds are:

- General Fund – This is the City's primary operating fund. This fund accounts for all financial resources except those required to be accounted for in another fund.
- Special Revenue – City Sales Tax Fund – This fund accounts for the proceeds of the 1976 one-percent (1%), the 1998 one-percent (1%) city sales and use tax, and the 2005 one-half percent (½%) city sales and use tax.
- General Capital Projects Fund – This fund accounts for various capital projects. Funding is provided by intergovernmental grants and transfers of funds designated for capital improvements from the City Sales Tax Fund.
- 2004 Sales Tax General Capital Projects Fund – This fund accounts for the receipt of the proceeds of the Sales Tax Bonds, Series 2004 and subsequent expenditure of the funds.

**Revenue Recognition**

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

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

**Expenditure Recognition**

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

**Proprietary Funds**

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds include charges to customers for sales and services, transit fees, and employer and employee insurance premiums. All revenues not meeting this definition are reported as non-operating revenues. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, benefits paid and depreciation on capital assets.

The major proprietary fund of the City is the Utilities System Fund, which accounts for electricity, natural gas, water and wastewater services provided to residents of the City and general surrounding areas.

The City maintains three internal service funds as follows:

- Risk Management Fund is used to account for the provision of various insurance coverage to the other funds of the City through incorporation of self insurance and premiums paid for third party coverage for certain stop loss levels.
- Employee Benefits Insurance Fund is used to account for the provision of hospitalization/health insurance to employees of the City. A defined amount is self insured and provision is made for excess coverage through premiums paid to a third party. In addition, certain life insurance is provided for employees through premiums paid to a third party insurance carrier.
- Unemployment Benefits Fund is used to account for the provision of unemployment benefits to the other funds of the City through self-insurance coverage.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

**Fiduciary Funds**

The City currently has two pension trust fiduciary funds as follows:

- City Employees' Retirement System Fund is used to accumulate resources for retirement benefits for City employees covered under the plan.
- Firemen's Pension And Relief Fund is used to account for benefits paid to members of this plan. The City is required to contribute an amount sufficient to meet any deficit of the Fund without regard for reserve requirements accruing on an actuarial basis.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. The City maintains the above pension trust funds to account for the City's employee pension funds. Trust funds are used to account for assets held by the government in a trustee capacity.

The accrual basis of accounting is utilized by proprietary fund types and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**C. Budgets and Budgetary Accounting**

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

Budgets are adopted on a line item basis. Administrative amendments 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 Council approval. The overall level of control is on an interdepartmental basis.

Annual operating budget appropriations expire at the close of the fiscal year to the extent not expended.

**D. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances at year end, if material, are reported as reservations of fund balances.



**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

**E. Cash and Cash Equivalents; Investments**

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

Investments - Investments are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Certificates of deposit classified as investments are valued at cost, which equals fair value. U.S. Treasury Notes are valued based on quoted market prices. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Securities traded on national securities exchanges are valued at the last reported sales price on the last business day of the plan year. Investments traded in the over-the-counter market are valued at the average of the last reported bid and asked prices. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar investments.

**F. Internal Balances (Due from/to Other Funds)**

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

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

**G. Inventories**

Inventories are valued at the lower of cost (first-in, first-out) or market, with the exception of central warehouse inventory and fuel, which are valued at average cost. Inventories are accounted for in the funds using the consumption method, whereby expenditures are recognized as inventory is used.

**H. Restricted Assets**

Certain Enterprise Fund assets are classified as restricted assets because their use is restricted to certain activities by law or bond covenants. "Revenue Bond Current Debt Service accounts" are used to report resources accumulated for May 1<sup>st</sup> maturities of revenue bonds principal and interest. "Customers' Deposit accounts" are used to account for funds received from customers for utilities deposits. "Revenue Bond Reserve accounts" are used to report resources set aside for potential future deficiencies in the Revenue Bond Current Debt Service accounts. "Revenue Bond Capital Additions and Contingencies accounts" are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. "Special Projects accounts" are funds restricted by Council action for certain designated projects. "Utilities Capital Projects accounts" are used to account for funds set aside for capital additions, renewals, and replacements.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

**I. Capital Assets and Depreciation**

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

In the Government-Wide Financial Statements, capital assets, including general capital assets are capitalized and depreciated on a straight-line basis over their estimated useful lives. Public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are capitalized. The valuation basis for capital assets is historical cost, or when historical cost is not available, estimated historical cost. Donated capital assets are valued at estimated fair value on date of donation. The minimum capitalization threshold is as follows:

Land	All costs
Buildings and building improvements	Greater than \$50,000
Machinery and equipment	Greater than \$5,000
Furniture and fixtures	Greater than \$5,000
Vehicles	Greater than \$5,000
Infrastructure	Greater than \$250,000

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Interest capitalized during the current period totaled \$21,141

**J. Bond Issuance Costs**

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

**K. Compensated Absences**

Vested or accumulated leave is accrued in the period the liability is incurred. Compensated absences expected to be financed from governmental funds are not reported in the balance sheet of the fund financial statements; however, compensated absences are reported in the statement of net assets in the government-wide financial statements. Vested or accumulated leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer and employee.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

**L. Long-term Liabilities**

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

**M. Supplemental Wages**

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

**N. 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.

**O. Estimates**

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

**2. Cash and Cash Equivalents; Equity in Pooled Cash and Investments; and Investments**

**Cash and cash equivalents – governmental and business-type activities**

At year-end, the City's deposits were covered by depository insurance or collateral held by the city or its agent in the City's name.

**Equity in pooled cash and investments – governmental and business-type activities**

The City maintains separate cash and investment pools that are available for use by all funds not required to maintain separate accounts in accordance with state law or bond indentures. At year-end, equity in pooled cash and equivalents consisted of the following:

Cash in interest-bearing demand deposits	\$ 23,874,410
Certificates of deposit with maturities of less than one year	<u>30,000,000</u>
	\$ 53,874,410
Less individual funds pooled cash overdraft	<u>(1,395,193)</u>
	52,479,217

**CITY OF ALEXANDRIA, LOUISIANA**

April 30, 2007

**Notes to Financial Statements**

At year-end, the City's pooled cash and investments were covered by depository insurance or collateral held by the city or its agent in the City's name.

**Investments – governmental and business-type activities**

The City may invest in United States bonds, treasury notes, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment. At year-end, the City's investments in governmental and business-type activities consisted of certificates of deposit with maturities of less than one year. These investments were covered by depository insurance or collateral held by the City or its agent in the City's name.

**Cash and equivalents – employee retirement plans**

At year-end, the City's deposits were covered by depository insurance or collateral held by the City or its agent in the City's name.

**Investments – employee retirement plans**

At year-end, the employee retirement plans had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 – 5	6 – 10	More than 10
Corporate bonds	\$ 17,525,486	\$ 501,570	\$ 197,000	\$ 951,585	\$ 15,875,331
Zero Coupon Treasury receipts	3,778,974		753,661	3,025,313	
U. S. agencies obligations	9,772,591		143,801	1,017,595	8,611,195
GMNA mortgage notes	93,284		8,012	51,205	34,067
Total interest-bearing	31,170,335	\$ 501,570	\$ 1,102,474	\$ 5,045,698	\$ 24,520,593
Preferred stocks	6,351,207				
Corporate stocks	43,384,472				
Certificate of deposit	88,709				
	\$ 80,994,723				

*Interest Rate Risk:* The employee retirement plans do not have a formal investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from rising interest rates.

*Credit Risk:* The employee retirement plans may invest in United States bonds, treasury notes, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment. In addition, the City of Alexandria Employees' Retirement System plan may invest in corporate stocks and bonds. The City of Alexandria Employees' Retirement System's investment policies limits its corporate debt investments to bonds rated at least BBB by Standards and Poor's or Baa by Moody's Investors Service.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

*Custodial Credit Risk:* For an investment, 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 employee retirement plans' certificates of deposit included in investments were covered by depository insurance or collateral held by the plans or the plans' agents in the plans' name. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All other investments are held by the plan or its agents in the plan's name.

**3. Receivables**

Receivables as shown in the Fund Financial Statements, at April 30, 2007, consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Internal Service Funds</u>	<u>Totals</u>
Receivables				
Taxes - sales	\$ 3,336,928	\$	\$	\$ 3,336,928
Accounts				
Uncollected cycle billings		11,151,489		11,151,489
Estimated unbilled services		5,044,873		5,044,873
Interest	28,991			28,991
Other	624,530	11,270	51,897	687,697
Gross receivables	3,990,449	16,207,632	51,897	20,249,978
Allowance for uncollectibles	(43,226)	(2,029,001)		(2,072,227)
Net receivables	\$ 3,947,223	\$ 14,178,631	\$ 51,897	\$ 18,177,751
Intergovernmental				
Federal	265,485	387,713		653,198
State	157,991	10,726		168,717
Local	79,951			79,951
Total Intergovernmental	\$ 503,427	\$ 398,439	\$ -	\$ 901,866
Total receivables	\$ 4,450,650	\$ 14,577,070	\$ 51,897	\$ 19,079,617

Ad valorem taxes attach as an enforceable lien on property as of January 1<sup>st</sup> of each year. Taxes are levied by the City normally in October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1<sup>st</sup> 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 Rapides Parish.

For the year ended April 30, 2007, taxes of 20.23 mills were levied on property with assessed values totaling \$301,283,723 and were dedicated as follows:

Streets and drainage	11.25 mills
Debt service	2.15 mills
General purpose	6.83 mills

Total taxes levied were \$6,094,970 of which a balance of \$-0- representing current taxes, (net of allowance for uncollectibles) remained uncollected at April 30, 2007.

**CITY OF ALEXANDRIA, LOUISIANA**

**April 30, 2007**

**Notes to Financial Statements**

Receivables arising from utility services provided to customers consist of uncollected billings rendered customers on monthly cycle billings and estimated services provided customers between billing cycles. The allowance for uncollectible accounts includes \$2,029,001, which represents the projected uncollectible utility accounts at April 30, 2007.

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

Amounts due from and to other funds as reported in the fund financial statements, at April 30, 2007, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	City Sales Tax	\$ 4,622,014
General	Home Investment Partnership Program	1,086
General	Utilities System	2,069,983
General	Zoological Park	208,579
General	Sanitation	9,036
General	Golf Course	73,111
General	Risk Management	14
Community Development	Home Investment Partnership Program	30
Community Development	General	9,472
General Capital Projects	City Sales Tax	994,748
General Capital Projects	General	165,000
General Capital Projects	Debt Service	771,627
General Capital Projects	Utilities System	<u>8,333</u>
Total Governmental Funds		<u>8,933,033</u>
Municipal Bus Line	Utilities System	276,340
Municipal Bus Line	General	46,291
Sanitation	Utilities System	44,945
Golf Course	General	559
Utilities System	Golf Course	4,010
Utilities System	Sanitation	<u>123,809</u>
Total Enterprise Funds		495,954
Employee Benefits Insurance	Utilities System	<u>581</u>
Total Internal Service Funds		<u>581</u>
Total Due From/To Other Funds		\$ 9,429,568

The balances reflected in interfunds represent either routine charges for goods and services or permanent (non-loan) transfers from one fund to another. These balances are settled periodically. The amounts here represent activity since the last settlement.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

Transfers, for the year ending April 30, 2007, shown in the fund financial statements were as follows:

Transfers in	Transfers out	Amount
General	City Sales Tax	\$ 26,990,172
General	Community Development Block Grant	70,000
General	Home Investment Partnership Program	
General	General Capital Projects	310,000
General	Utilities System	7,138,090
General	Sanitation	685,890
General	Municipal Bus Line	345,271
General	Zoological Park	429,348
General	Golf Course	116,192
General Capital Projects	City Sales Tax	5,912,541
General Capital Projects	Utilities System	100,000
General Capital Projects	Community Development Block Grant	18,063
General Capital Projects	Debt Service	6,872
2004 Sales Tax General Capital Projects	General Capital Projects	17,000
General Capital Projects	1988 Drainage Property Tax	
EDA Capital Projects	Utilities System	
Community Development	Utilities System	
Metro Share Program	General	
Home Investment Partnership Program	Hotel Economic Development	15,625
Youth Recreation	General	33,000
Riverfront Center	General	60,625
1998 Drainage Property Tax	General	7,920
1993 Streets & Drainage Property tax	General Capital Projects	140,000
Debt Service	City Sales Tax	981,333
Total Governmental Funds		43,377,942
Utilities System	Sanitation	241,469
Utilities System	Municipal Bus Line	59,005
Municipal Bus Line	Utilities System	1,663,961
Municipal Bus Line	General Capital Projects	257,046
Golf Course	General	296,437
Zoological Park	General	2,001,887
Sanitation	General	1,849,128
Total Enterprise Funds		6,368,933
Employee Benefits Insurance	General	16,499
Employee Benefits Insurance	Utilities System	6,966
Employee Benefits Insurance	Sanitation	1,108
Employee Benefits Insurance	Municipal Bus Line	848
Total Internal Service Funds		25,421
Total Transfers		\$ 49,772,296

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

The transfers are movements of money from one fund to another. These can be required by law (City Sales Tax transfers to other funds) or merely serve as a means to finance activities in the receiving fund (Utility transfers to General Fund and Transit Fund). As in the interfunds above, these are not loans, i.e., the receiving fund does not pay it back.

**5. Restricted Assets**

At April 30, 2007, restricted assets of the Utility System Enterprise Fund consist of equity in pooled cash and investments totaling \$27,466,946 as follows:

Revenue bond current debt service	\$ 4,836,170
Customers' deposits	3,833,223
Special projects	150,000
Revenue bond reserve	3,488,000
Revenue bond capital additions and contingencies	1,000,000
Utilities capital projects - unexpended bond funds	11,844,482
Utilities capital projects - other	<u>2,315,071</u>
	<b>\$ 27,466,946</b>

**6. Capital Assets and Depreciation**

Capital asset activity for the year ended April 30, 2007, was as follows:

	<u>Balance</u> <u>May 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>April 30, 2007</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land and land improvements	\$ 9,897,120	\$ 532,500	\$ (6,757)	\$ 10,422,863
Construction in progress	<u>9,628,828</u>	<u>6,884,649</u>	<u>(5,575,484)</u>	<u>10,937,993</u>
Total Capital Assets not Being Depreciated	19,525,948	7,417,149	(5,582,241)	21,360,856
Other capital assets				
Buildings and improvements	86,222,231	3,792,649	-	90,014,880
Furniture and fixtures	934,188	138,955	(47,407)	1,025,736
Equipment	12,286,778	846,522	(436,661)	12,696,639
Vehicles	10,369,246	699,438	(366,559)	10,702,125
Infrastructure	<u>64,275,742</u>	<u>1,745,078</u>	<u>-</u>	<u>66,020,820</u>
Total Other Capital Assets	174,088,185	7,222,642	(850,628)	180,460,200
Accumulated depreciation				
Buildings and improvements	(19,770,967)	(2,212,227)	-	(21,983,194)
Furniture and fixtures	(853,316)	(9,492)	46,449	(816,359)
Equipment	(8,965,142)	(931,508)	411,145	(9,485,505)
Vehicles	(7,014,419)	(913,552)	327,359	(7,600,612)
Infrastructure	<u>(22,387,729)</u>	<u>(2,090,755)</u>	<u>-</u>	<u>(24,478,484)</u>
Total Accumulated Depreciation	<u>(58,991,573)</u>	<u>(6,157,534)</u>	<u>784,953</u>	<u>(64,364,154)</u>
Other Capital Assets, Net	<u>115,096,612</u>	<u>1,065,108</u>	<u>(65,674)</u>	<u>116,096,046</u>
<b>Net Capital Assets</b>	<b>\$ 134,622,560</b>	<b>\$ 8,482,257</b>	<b>\$(5,647,915)</b>	<b>\$137,456,902</b>



**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

Depreciation was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 2,546,216
Public safety	1,106,771
Public works	<u>2,504,547</u>
Total Depreciation Expense for Governmental Activities	\$ 6,157,534

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

Buildings and improvements	10 - 40 years
Furniture and fixtures	3 - 10 years
Equipment	3 - 50 years
Vehicles	3 - 10 years
Infrastructure	25 - 40 years

The City looks at individual projects in considering capitalizing infrastructure. To be capitalized, the project cost must be \$250,000 or greater. Donated assets, such as by developers, are subject to the threshold. Actual cost is used when available, estimated cost is used otherwise.

Estimations of useful lives are as follows:

Streets	40 years
Drainage	25 years
Traffic Signals	25 years

	<u>Balance</u> <u>May 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>April 30, 2007</u>
<b>Business-Type Activities</b>				
Assets not being depreciated				
Land	\$ 2,372,646	\$ -	\$ -	\$ 2,372,646
Construction in progress	<u>6,786,732</u>	<u>4,908,459</u>	<u>(4,751,590)</u>	<u>6,943,601</u>
Total Assets not Being Depreciated	9,159,378	4,908,459	(4,751,590)	9,316,247
Other Capital Assets				
Plant and equipment	205,840,592	5,847,852	(1,929,817)	209,758,627
Buildings and improvements	5,667,208	34,250	-	5,701,458
Vehicles and buses	9,564,430	2,466,684	(951,701)	11,079,413
Furniture, fixtures and equipment	<u>2,340,343</u>	<u>87,978</u>	<u>(148,576)</u>	<u>2,279,745</u>
Total Other Capital Assets	223,412,573	8,436,764	(3,030,094)	228,819,243
Accumulated Depreciation				
Plant and equipment	(109,458,058)	(6,225,960)	1,888,282	(113,795,736)
Buildings and improvements	(2,192,287)	(402,453)	257,985	(2,336,755)
Vehicles and buses	(7,046,892)	(430,256)	798,934	(6,678,214)
Furniture, fixtures and equipment	<u>(1,498,789)</u>	<u>-</u>	<u>-</u>	<u>(1,498,789)</u>
Total Accumulated Depreciation	<u>(120,196,026)</u>	<u>(7,058,669)</u>	<u>2,945,201</u>	<u>(124,309,494)</u>
Other Capital Assets, Net	<u>103,216,547</u>	<u>(1,378,095)</u>	<u>(84,893)</u>	<u>104,509,749</u>
<b>Net Capital Assets</b>	<b>\$112,375,925</b>	<b>\$ 6,286,554</b>	<b>\$(4,836,483)</b>	<b>\$113,825,996</b>

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

Depreciation was charged to functions as follows:

**Business-Type Activities**

Electricity	\$2,220,811
Natural gas	1,298,278
Water	1,073,381
Waste water	1,606,424
Municipal bus line	269,281
Sanitation	87,038
Municipal zoo	133,172
Municipal golf course	<u>370,284</u>
<b>Total Depreciation Expense for Business-Type Activities</b>	<b>\$7,058,669</b>

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

Buildings and improvements	10 - 40 years
Furniture and fixtures	3 - 10 years
Plant and equipment	3 - 50 years
Vehicles	3 - 10 years

A summary of significant budgeted construction or renovation projects is presented below:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitment</u>	<u>Required Further Financing</u>
<b>Utilities System Enterprise Fund</b>				
Electric	\$ 7,421,317	\$ 4,541,313	\$ 458,935	None
Gas	79,777	44,430	8,851	None
Water	1,399,588	456,087	288,543	None
Wastewater	14,174,910	3,723,785	1,446,750	None
General and administrative	<u>4,258,407</u>	<u>2,929,576</u>	<u>360,561</u>	None
	<b>\$27,333,999</b>	<b>\$ 11,695,191</b>	<b>\$ 2,563,640</b>	

**7. Risk Management**

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City employs a Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage up to the maximum amounts indicated in the following table. The City purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims did not exceed this commercial coverage for the fiscal year ended April 30, 2007. During the prior year, management of the City decided not to renew coverage for automobile liability. All claims are now handled by the City Attorney's office with the City primarily liable for any and all claim settlements.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

	Loss Retained	
	Each Occurrence	In Aggregate
General liability/Law enforcement liability	\$500,000	\$ 3,000,000
Workers' compensation	500,000	Statutory
Public officials and employees liability	500,000	3,000,000
Property damage	100,000	(*)

(\*) \$250,000,000 per occurrence with specified sub-limits

All funds of the City participate in the program and make payments to the Risk Management Fund based upon actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$5,706,000 as of April 30, 2007, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City has elected to record the liability on the discounted basis.

Changes in the Fund's claims liability amount in the fiscal year ending April 30, 2007, were as follows:

Balance, beginning of the year	\$ 4,852,000
Current year claims and changes in estimates	4,331,619
Claims payments	<u>(3,477,619)</u>
Balance, end of the year	\$ 5,706,000

The City is a defendant in lawsuits, which are not covered by an insurance program, and is involved in ongoing disputes regarding certain class actions or potential class actions filed on behalf of past and present employees. The various disputes are primarily of an employment or wage related matters. The City denies any liability or responsibility for wages or other claims and intends to contest the claim or claims vigorously and to not seek any out-of-court settlements. Legal counsel has advised that there is no specific estimate which can be made of the amount or range of the potential loss or exposure, if any, at this time.

The City is a plaintiff in a lawsuit with CLECO regarding the price paid for certain purchases of energy, for the Utilities System, from CLECO in previous years. At present and in accordance with an order of the court, an independent audit of the records relating to those purchases is in process. Management and legal counsel for the City are unable to provide reasonable estimates of the amount of recovery, if any, and it is not practical to calculate such amounts under current known facts and conditions.

**8. Employee Benefits Insurance**

The City employs an Employee Benefits Insurance Fund (an internal service fund) to account for and finance employee hospitalization/health insurance and certain employee life insurance. Under this program, the Employee Benefits Insurance Fund normally provides coverage for a maximum of \$50,000 per plan year for each covered employee's (and dependent's, if applicable) qualifying health claims. Commercial insurance is purchased for health claims in excess of self-insured maximum of \$50,000 for each covered employee's (and dependent's, if applicable) qualifying health claims. The Fund does not have a maximum aggregate retained loss. The Employee Benefits Insurance Fund also purchases certain employee life insurance from employee contributions.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

All funds of the City and covered employees participate in the program and make payments to the Employee Benefits Insurance Fund based on estimates of the amount needed to pay current year claims. The claims liability of \$288,635 reported in the Fund at April 30, 2007, is based upon the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in the fiscal year ending April 30, 2007, were as follows:

Balance, beginning of the year	\$ 481,595
Current year claims and changes in estimates	5,079,128
Claims payments	<u>(5,272,088)</u>
Balance, end of the year	\$ 288,635

**9. Unemployment Benefits**

The City employs an Unemployment Benefits Fund (an internal service fund) to pay self-insured unemployment claims under state statutes. All claims are administered by the state unemployment office. Approved claims are paid by the state, which invoices the City for reimbursement. All funds of the City participate in the program.

During the year ended April 30, 2007, no payments were paid to the Unemployment Benefits Fund. Management believes that sufficient investments are available in the Unemployment Benefits Fund to pay claims from investment earnings. Claims incurred as of April 30, 2007, are considered immaterial and are not included in this report.

**10. Long-Term Liabilities**

Governmental activities long-term liabilities are direct obligations and pledge the full faith and credit of the City. The City has incurred these liabilities to provide funds for the acquisition and construction of major capital additions, to provide funds for major capital projects, and to provide funds in connection with the merger of the City's Police Pension and Relief Fund into the statewide Municipal Police Employees' Retirement System and the City's Firemen Pension and Relief Fund into the statewide Firefighters' Retirement System. In addition, the City's obligation relative to the governmental funds' liability for compensated absences and extended risk management claims is reported as a governmental activities long-term liability.

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

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

A summary of long-term debt, as of April 30, 2007, follows:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>
<b>Governmental activities</b>				
General Obligation				
Sales tax revenue bonds				
2002 refunding	2008	2.00 - 2.50	\$	\$ 690,000
2002 Issue	2008 - 2024	2.50 - 5.00		14,165,000
Ad valorem tax bonds -refunding	2008 - 2016	2.00 - 3.75		4,700,000
Certificates of indebtedness				
Series 1998 A & B - refunding	2008 - 2014	4.65 - 6.00		2,250,000
Series 1998 C - refunding	2008 - 2022	5.75 - 6.85		13,825,000
Compensated absences				2,692,598
Risk Management Claims				3,459,000
Post employment benefit obligation				295,419
<b>Business-type activities</b>				
Enterprise Funds				
Utilities System revenue bonds				
2002 refunding	2008 - 2009	3.00 - 4.00	4,770,000	
2003 refunding	2008 - 2014	2.00 - 3.625	6,290,000	
2004 A capital additions	2008 - 2034	2.25 - 5.00	15,490,000	
2004 B refunding	2008 - 2021	2.25 - 5.00	18,680,000	
Certificates of indebtedness				
Series 2004 – capital additions	2008 - 2013	1.25 - 4.15	1,095,000	
Customer guaranteed deposits			3,933,491	
Compensated absences			1,424,139	
Totals			<u>51,682,630</u>	<u>42,077,017</u>
Current portion			<u>(4,243,621)</u>	<u>(2,858,890)</u>
Totals			\$ 47,439,009	\$ 39,218,127
Deferred loss on Revenue Bonds 2003 B refunding			<u>(572,869)</u>	
Totals			\$ 46,866,140	

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

During the year ended April 30, 2007, the following changes occurred in governmental activities long-term liabilities:

	<u>Balance</u> <u>05/01/06</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>04/30/07</u>
<b>Governmental Activities Long-Term Debt</b>				
Sales tax bonds	\$ 15,960,000	\$	\$ (1,105,000)	\$ 14,855,000
Ad valorem tax bonds	5,130,000		(430,000)	4,700,000
Certificates of indebtedness	16,895,000		(820,000)	16,075,000
Compensated absences - net	2,494,841	197,757		2,692,598
Post employment benefit obligation - net		295,419		295,419
Risk management claims - net	<u>2,653,000</u>	<u>806,000</u>		<u>3,459,000</u>
Totals	\$ 43,132,841	\$ 1,299,176	\$ (2,355,000)	\$ 42,077,017

	<u>Balance</u> <u>04/30/07</u>	<u>Due within</u> <u>one year</u>	<u>Due in more</u> <u>than one year</u>
<b>Governmental Activities Long-Term Debt</b>			
Sales tax bonds	\$ 14,855,000	\$ 1,140,000	\$ 13,715,000
Ad valorem tax bonds	4,700,000	440,000	4,260,000
Certificates of indebtedness	16,075,000	875,000	15,200,000
Compensated absences - net	2,692,598	403,890	2,288,708
Post employment benefit obligation - net	295,419		295,419
Risk management claims - net	<u>3,459,000</u>		<u>3,459,000</u>
Totals	\$ 42,077,017	\$ 2,858,890	\$ 39,218,127

The annual requirements to amortize outstanding governmental activities long-term debt excluding compensated absences, post employment benefit, and risk management claims are as follows:

<u>Year ended April 30,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2008	\$ 2,455,000	\$ 1,656,095	\$ 4,111,095
2009	1,965,000	1,554,950	3,519,950
2010	2,075,000	1,458,506	3,533,506
2011	2,180,000	1,367,006	3,547,006
2012	2,290,000	1,275,490	3,565,490
2013-2017	11,210,000	4,814,154	16,024,154
2018-2022	11,100,000	2,063,241	13,163,241
2023-2024	<u>2,355,000</u>	<u>99,634</u>	<u>2,454,634</u>
	\$ 35,630,000	\$ 14,289,076	\$ 49,919,076

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

During the year ended April 30, 2007, the following changes occurred in business-type activities long-term liabilities:

	<u>Balance</u> <u>05/01/06</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>04/30/07</u>
<b>Business-Type Activities Long-Term Debt</b>				
Revenue bonds	\$ 48,780,000	\$	\$ (3,550,000)	\$ 45,230,000
Certificates of indebtedness	1,235,000		(140,000)	1,095,000
Compensated absences - net	1,352,861	71,278		1,424,139
Customer guaranteed deposits - net	<u>3,763,095</u>	<u>170,396</u>		<u>3,933,491</u>
Totals	\$ 55,130,956	\$ 241,674	\$ (3,690,000)	\$ 51,682,630

	<u>Balance</u> <u>04/30/06</u>	<u>Due within</u> <u>one year</u>	<u>Due in more</u> <u>than one year</u>
<b>Business-Type Activities Long-Term Debt</b>	\$ 51,682,630	\$ 4,243,621	\$ 47,439,009

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

<u>Year ended April 30,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2008	\$ 4,030,000	\$ 1,871,161	\$ 5,901,161
2009	4,435,000	1,725,823	6,160,823
2010	2,500,000	1,600,685	4,100,685
2011	2,610,000	1,496,128	4,106,128
2012	2,715,000	1,392,422	4,107,422
2012-2016	11,395,000	5,485,675	16,880,675
2017-2021	9,300,000	3,141,865	12,441,865
2022-2026	3,255,000	1,813,384	5,068,384
2027-2031	4,130,000	961,866	5,091,866
2032-2035	<u>1,955,000</u>	<u>92,942</u>	<u>2,047,942</u>
	\$ 46,325,000	\$ 19,581,951	\$ 65,906,951

**Defeased Debt:** The City defeased certain general obligation and revenue bonds by placing sufficient proceeds in irrevocable trusts to provide for all future debt service payments on the bonds. Accordingly, the assets of the trust accounts and the liability for the defeased bonds are not included in the City's financial statements. At year-end, defeased bonds outstanding consisted of the following:

**Governmental activities**

General Obligation

Sales tax revenue bonds

Series ST-1987

\$ 775,000

Ad valorem tax bonds

Series 1996

4,485,000

\$ 5,260,000

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

**11. Supplemental Pay**

Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$923,450 is recognized as intergovernmental revenue in the General Fund and as expenditures in the following public safety departments:

Police	\$ 554,700
Fire	<u>403,200</u>
	\$ 957,900

**12. Enterprise Funds – Segment Information**

The City operates a utilities system consisting of an electric generation and distribution system, a natural gas distribution system, a water production and distribution system, and a sewerage transmission and treatment plant. The City issued revenue bonds for capital improvements of the utilities system. These revenue bonds rely on revenues generated by the utilities system as a whole for repayment. The following is a condensed summary of this fund:

	<u>Utilities System</u>
<b>Condensed Statement of Net Assets</b>	
<b>Assets</b>	
Current assets	
Due from other funds	\$ 127,819
Other current assets	21,437,914
Noncurrent assets	
Restricted equity in pooled cash and investments	27,466,946
Capital assets	98,757,363
Other noncurrent assets	<u>552,791</u>
Total Assets	<u>148,342,833</u>
<b>Liabilities</b>	
Current liabilities	
Due to other funds	2,400,182
Other current liabilities	4,136,361
Liabilities payable from restricted assets	5,041,337
Noncurrent liabilities	<u>46,684,532</u>
Total Liabilities	<u>58,262,412</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	64,177,720
Restricted	16,233,357
Unrestricted	<u>9,669,344</u>
Total Net Assets	<u>\$ 90,080,421</u>



**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

**Condensed Statement of Revenues, Expenses and Changes in Net Assets**

Operating revenues (operating revenues are pledged against revenue bonds)	\$103,007,978
Operating expenses	
Depreciation	(5,532,676)
Depreciation included in overhead	(666,218)
Other	(81,280,805)
Operating income (loss)	15,528,279
Nonoperating revenues (expenses)	
Investment income	1,720,838
Operating grants and contributions	223,187
Disposition of assets	(200,874)
Interest expense and fiscal charges	(2,141,249)
Capital contributions	250,000
Transfers in (out)	(8,608,543)
Change in Net Assets	6,771,638
Net Assets, beginning	83,308,783
Net Assets, ending	\$ 90,080,421

**Condensed Statement of Cash Flows**

Net cash provided (used) by	
Operating activities	\$ 19,407,860
Noncapital financing activities	(8,774,724)
Capital and related financing activities	(12,862,872)
Investing activities	4,481,190
Net increase	\$ 2,251,454
Cash and cash equivalents, beginning	2,210,255
Cash and cash equivalents, ending	\$ 4,461,709

Segment information for the Utilities System Enterprise Fund for the fiscal year ended April 30, 2007, follows:

	Total	Electric	Gas	Water	Waste Water
Operating revenues	\$103,007,978	\$ 77,005,640	\$ 15,510,896	\$ 6,312,597	\$ 4,178,845
Operating expenses					
Depreciation	(6,198,894)	(2,220,811)	(1,298,278)	(1,073,381)	(1,606,424)
Other	(81,280,805)	(53,133,776)	(16,415,317)	(5,600,137)	(6,131,575)
Operating income (loss)	\$ 15,528,279	\$ 21,651,053	\$ (2,202,699)	\$ (360,921)	\$(3,559,154)

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

Proceeds of the 1976 one percent (1%) City Sales and Use Tax are dedicated to the following purposes:

- a. One-half is to be used for maintenance and operating expenses of the City.

CITY OF ALEXANDRIA, LOUISIANA

April 30, 2007

Notes to Financial Statements

---

- b. The other one-half is to be used in the following order of priority:
1. On or before the 20th day of each month, there shall be transferred to a Sales Tax Bond Sinking Account in the Debt Service Fund an amount equal to 1/6th of the interest falling due on the next interest payment date and 1/12th of the principal falling due on the next principal payment date of all sales tax bond issues outstanding.
  2. Any funds remaining after the above transfers will be considered surplus and may be used for constructing, acquiring, extending, and/or improving capital improvements for the City (including, but not limited to, major thoroughfares and arterial streets with related improvements, major drainage systems, a civic convention center complex, parks, and parking facilities).

Proceeds of the 1998 one-percent (1%) City Sales and Use Tax are dedicated to fund General Fund operations including:

- a. No less than one-third the tax collected is dedicated to fire, police, and General Fund classified employees' salaries.
- b. Replace General Fund revenues lost from Federal and State government funding cuts from previous years.
- c. Street repair; street cleaning; maintenance of city drainage systems; grass cutting; maintenance of parks and recreational facilities; police and fire services and programs; general building maintenance; demolition of condemned structures; and city planning.

Proceeds of the 2005 one-half percent (½%) City Sales and Use Tax are dedicated to paying salaries and related benefits for police, fire and other City employees funded through the City's General Fund.

**14. Flow of Funds - Restrictions on Use - Utilities System Enterprise Fund**

The utility revenue bonds were issued pursuant to bond ordinances, which provide substantially the following terms:

The City, through its governing authority, has covenanted to fix, establish, maintain and collect such rates, fees, rents or other charges for the services and facilities of the Utilities System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each year sufficient to pay the necessary expenses of administering, operating, and maintaining the Utilities System in each year, 120% of the principal and interest maturing on the bonds or other obligations payable there from as the same shall become due and payable in each year, all reserves or sinking funds or other payments required for such year by the Bond Ordinance, and all other obligations or indebtedness payable out of the revenues of the Utilities System for such year, and that such rates, fees, rents or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for such purposes.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

The City has further covenanted that all of said income and revenues earned or derived from the operation of the Utilities System shall be deposited daily as the same may be collected in the Utilities System Fund heretofore established with the regularly designated fiscal agent of the City pursuant to the Bond Resolutions; that said fund shall be maintained and administered in the following order of priority and for the following express purposes:

- (a) The payment of all reasonable expenses of administration, operation, and maintenance of the Utilities System.
- (b) The maintenance of the Sinking Funds established pursuant to the bond resolutions sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds and any additional *pari passu* bonds issued hereafter in the manner provided by the bond ordinance, as they severally become due and payable, by transferring from the Utilities System Fund to the Sinking Funds established pursuant to the bond resolutions, monthly in advance on or before the 20th day of each month of each year, a sum equal to 1/6th of the interest falling due on the next interest payment date, and a sum equal to 1/12th of principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. The depository for the Sinking Funds shall transfer from said Sinking Funds to the paying agent bank or banks for all bonds payable from said Fund at least one day in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.
- (c) The maintenance of the Reserve Funds established pursuant to the bond resolutions by transferring from the proceeds of the bonds a sum equal to the lesser of (i) ten percent (10%) of the proceeds of the bonds or (ii) an amount which, together with monies on deposit in the Reserve Funds, will equal the highest combined principal and interest requirements for any succeeding fiscal year on the bonds (the "Reserve Funds Requirement"), and if such monies do not cause the balance in the Reserve Funds to equal the Reserve Funds Requirement, by transferring from said Utilities System Fund to the Reserve Funds established pursuant to the bond resolutions, monthly in advance on or before the 20th day of each month of each year, a sum at least equal to twenty percent (20%) of the amount required to be paid into the aforesaid Sinking Fund specified in paragraph (b) above, the payments into said Reserve Funds to continue until such time as there has been accumulated therein a sum equal to the Reserve Funds Requirement. The money in the Reserve Funds shall be retained solely for the purpose of paying the principal of and interest on Bonds payable from the aforesaid Sinking Fund specified in paragraph (b) above as to which there would otherwise be default. In the event that additional *pari passu* bonds are issued hereafter in the manner provided by the bond ordinance, the payments into said Reserve Fund shall continue, or if the said payments have ceased because of the accumulation of the maximum amount provided above, then such payments shall be resumed, until such time as there has been accumulated in said Reserve Funds an amount of money equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds, including such additional *pari passu* bonds.

**CITY OF ALEXANDRIA, LOUISIANA**

**April 30, 2007**

**Notes to Financial Statements**

---

The indentures for Utilities Revenue Bonds, Series 2004 provided for the establishment and maintenance of a "Reserve Fund - 2004". The City had the option of funding the Reserve Fund - 2004 by (i) depositing a sum equal to the reserve fund requirement into the Reserve Fund - 2004, or (ii) depositing to the credit of the Reserve Fund - 2004 a surety bond, letter of credit or insurance policy equal to the reserve fund requirement. The City satisfied the reserve fund requirement by depositing to the credit of the Reserve Fund - 2004 the surety bond issued by the reserve insurer.

- (c) The maintenance of the Capital Additions and Contingencies Fund established pursuant to the bond resolutions to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the Utilities System by transferring from said Utilities System Fund to the Capital Additions and Contingencies Fund established by the bond resolutions, monthly on or before the 20th day of each month of each year, a sum equal to nine percent (9%) of the gross revenues of the Utilities System for the preceding month, provided that such sum is available after provision is made for the payments required under paragraphs (a), (b), and (c) above. Such payments into the Capital Additions and Contingencies Fund shall continue until such time as there has been accumulated in said Fund the sum of one million dollars (\$1,000,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of one million dollars (\$1,000,000), in which event such payments shall be resumed and continue until said maximum of one million dollars (\$1,000,000) is again accumulated. In addition to caring for extensions, additions, improvements, renewals, and replacements necessary to properly operate the Utilities System, the money in the Capital Additions and Contingencies Fund shall also be used to pay the principal of and the interest on the bonds, including any additional *pari passu* bonds issued hereafter in the manner provided by the bond ordinance, for the payment of which there is not sufficient money in the Sinking Fund and Reserve Fund described in paragraphs (b) and (c) above, but the money in said Capital Additions and Contingencies Fund shall never be used for the making of improvements and extensions to the Utilities System or for payment of principal or interest on Bonds, if the use of said money will leave in said Capital Additions and Contingencies Fund for the making of emergency repairs or replacements less than the sum of twenty-five thousand dollars (\$25,000).

Any monies remaining in said Utilities System Fund after making the above required payments may be used by the City for the purpose of calling and/or purchasing and paying any bonds payable from the revenues of the Utilities System, or for such other lawful corporate purposes as the governing authority may determine, whether such purposes are or are not in relation to the Utilities System.

If at any time it shall be necessary to use monies in the Reserve Fund or the Capital Additions and Contingencies Fund above provided for the purpose of paying principal of or interest on bonds payable from the aforesaid Sinking Fund as to which there would otherwise be default, then the monies so used shall be replaced from the revenues first thereafter received, not herein above required to be used for administration, operation, and maintenance or for current principal, interest, and reserve requirements. If at any time there are sufficient monies on deposit in the Reserve Fund and Capital Additions and Contingencies Fund to retire all outstanding bonds payable from the Sinking Fund by exercising the redemption option provided by such bonds or by purchase on the open market, the City may utilize such funds for such purpose.

CITY OF ALEXANDRIA, LOUISIANA

April 30, 2007

Notes to Financial Statements

---

All or any part of the monies in the Reserve Fund and the Capital Additions and Contingencies Fund shall, at the written request of the City, be invested in one or both of the following if and to the extent that the same are legal for the investment of funds of the City: (a) direct obligations of the United States of America, or (b) negotiable or non-negotiable certificates of deposit issued by any bank, trust company, or national banking association provided (i) such certificates of deposit are continuously and at all times secured by direct obligations of the United States of America having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit, and (ii) interest is paid thereon to the extent of one hundred percent (100%). All income derived from such investments shall be added to the money in said respective funds or to the Utilities System Fund, and such investments shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purpose for which the respective funds are created.

**15. Utilities System Fund Power Purchase Contract Commitment**

On November 15, 1982, the City entered into an electric power purchase contract with Louisiana Energy and Power Authority (LEPA), a political subdivision of the State of Louisiana, which acquired an interest in the Rodemacher Unit Number 2, a low sulfur-coal burning power plant. The City is obligated to pay 52.83% of the fixed project costs allocated to LEPA plus energy related costs when the unit is operable. This contract expires at the later of (1) the date all outstanding bonds of LEPA have been paid, (2) the date the joint operating agreement entered into by LEPA is terminated and settlement of all costs are completed, or (3) July 1, 2032.

As part of the contract, the City agreed not to issue bonds, notes, or other evidences of indebtedness or enter into any contract to incur any expenses payable from or secured by revenues of the combined utilities system superior to or having a priority over the obligation to pay for the costs incurred under this contract.

**16. Defined Benefit Pension Plans**

The City contributes to two single-employer defined benefit pension plans. The City also contributes to four statewide cost-sharing, multiple-employer, defined benefit public employee retirement systems.

Information relative to the four statewide cost-sharing, multiple-employer, defined benefit public employee retirement systems is presented below:

**Municipal Police Employees' Retirement System of Louisiana (MPERS)**

*Plan Description.* Membership is mandatory for all full-time police officers employed by the City, provided they meet statutory criteria. Any member is eligible for normal retirement benefits after participant has been a member of the System for one (1) year, if participant has twenty-five (25) years of creditable service at any age, or if participant has twenty (20) years of creditable service and is age fifty (50), or has twelve (12) years of creditable service and is age fifty-five (55). Benefit rates are three and one-third percent (3⅓%) of final compensation per number of years of creditable service not to exceed one hundred percent (100%). Benefit and contribution requirements are established by state law. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Police Employees' Retirement System, P. O. Box 94095, Baton Rouge, LA 70804-9095.

CITY OF ALEXANDRIA, LOUISIANA

April 30, 2007

Notes to Financial Statements

---

Funding Policy and Annual Pension Costs. Members are currently required to contribute seven and one-half percent (7½%) of their annual salary to the system, including supplemental pay. The City contributes an actuarially determined rate, presently set at fifteen and one-half percent (15½%) of the member's salary, including supplemental pay. The City's contributions to MPERS, for the fiscal years ended April 30, 2007, 2006, and 2005, were \$1,241,817, \$1,276,015 and \$1,193,705, respectively.

**Firefighters' Retirement System of Louisiana (FRS)**

Plan Description. This Plan is a defined benefit pension plan covering firemen employed by a municipality, parish, or fire protection district of the State hired after December 31, 1979. Employees with twenty (20) or more years of service who have attained age fifty (50), employees who have twelve (12) years of service who have attained age fifty-five (55), or employees who have twenty-five (25) years of service at any age are entitled to annual pension benefits equal to three and one-third percent (3⅓%) of their average final compensation based on the thirty-six (36) consecutive months of highest pay multiplied by their total years of service, not to exceed one hundred percent (100%). Employees may elect to receive their pension benefits in the form of a joint and/or survivor annuity. If employees terminate before rendering twelve (12) years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. Benefit and contribution requirements are established by state law. FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, LA 70809.

Funding Policy and Annual Pension Costs. Members are currently required to contribute eight percent (8%) of their annual salary, including supplemental pay to the Plan. The City contributes an actuarially determined rate, presently at fifteen and one-half percent (15½%) of the member's salary, including supplemental pay. The City's contributions to FRS, for the fiscal years ended April 30, 2007, 2006, and 2005, were \$833,455, \$929,067 and \$933,738, respectively.

**Louisiana State Employees' Retirement System (LASERS)**

Plan Description. All state employees, except certain classes of employees specifically excluded by statute, become members of the system as a condition of employment. Statewide elected officials and officials appointed by the governor may, at their option, become members of the System. The only member of this System from the City is the City Court Judge. The age and years of creditable service required in order for a member to retire with full benefits are established by Statute and vary depending on the member's employer and job classification. The substantial majority of members may retire with full benefits at ages ranging from any age upon completing thirty (30) years of creditable service to age sixty (60) upon completing ten (10) years of creditable service.

The basic annual retirement benefit for substantially all members is equal to two and one-half percent (2½%) of average compensation multiplied by the number of years of creditable service plus three hundred dollars (\$300). Average compensation is defined as the member's average annual earned compensation for the period of thirty-six (36) consecutive months of employment during which the member's aggregate earned compensation was greatest. The maximum annual retirement benefit cannot exceed the lesser of one hundred percent (100%) of average compensation or certain specified dollar amounts or actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges

CITY OF ALEXANDRIA, LOUISIANA

April 30, 2007

Notes to Financial Statements

and court officers and certain elected officials receive an additional annual retirement benefit equal to one percent (1%) of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the above basic retirement benefit, a member may elect to receive his retirement benefits under any one of four different options providing for a reduced retirement benefit payable throughout his life with certain benefits being paid to his designated beneficiary after his death.

Benefit and contribution requirements are established by state law. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Louisiana State Employees' Retirement System, P. O. Box 44213, Baton Rouge, LA 70804-4213.

Funding Policy and Annual Pension Costs. Judges, court officers, and legislators contribute eleven and one-half percent (11 ½%) of their salary to the System. The City contributes an actuarially determined rate, presently set at nineteen and one-tenth percent (19.10%) of the member's annual salary. The City's contributions to LASERS for the years ended April 30, 2007, 2006, and 2005 were \$7,148, \$6,735 and \$6,233, respectively.

**Parochial Employees' Retirement System of Louisiana (PERSL)**

Plan Description. The only member of this System from the City of Alexandria is the Clerk of City Court. Participants become fully vested after ten (10) years of service. Any member is eligible for normal retirement at age sixty (60) with at least ten (10) years of creditable service, at age fifty-five (55) with twenty-five (25) years of creditable service, or at any age with at least thirty (30) years of creditable service. The retirement benefit, payable monthly for life, is equal to three percent (3%) of the member's final-average salary for each year of creditable service not to exceed the greater of one hundred percent of final salary (last 12 months) or final average compensation. Final average salary is the employee's average salary over the thirty-six (36) consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefit and contribution requirements are established by state law. PERSL issues a publicly available financial report that may be obtained by writing to the Parochial Employees' Retirement System, P.O. Box 14619, Baton Rouge, LA 70898-4619.

Funding Policy and Annual Pension Costs. The member contributes nine and one-half percent (9½%) of their salary to the System. The City presently contributes thirteen and one-fourths percent (13 ¼ %) to the System as an employer match. The City's contributions to PERSL, for the fiscal years ended April 30, 2007, 2006, and 2005, were \$2,970, \$2,869 and \$2,137, respectively.

Information relative to the three single-employer defined benefit pension plans is presented below:

**City of Alexandria Employees' Retirement System (COAERS)**

Plan Description. Substantially all employees of the City, except firemen and policemen, become members of the COAERS as a condition of employment. The COAERS provides retirement benefits; disability benefits, and survivors' benefits. Members with ten (10) years of creditable service may retire at age sixty-two (62); members with at least twenty (20) years of creditable service may retire at age fifty-five (55); members with thirty (30) years of service may retire regardless of age. The retirement allowance is equal to three percent (3%) of the member's average compensation multiplied by his number of years of creditable service, not to exceed one hundred percent (100%) of his average compensation. Average compensation is defined as the highest three (3) year average annual compensation. Retirement benefits vest after ten (10) years of creditable service. Benefit and contribution provisions are established by state law. COAERS issues a publicly available financial report that may be obtained by writing to the City of Alexandria Employees' Retirement System, P.O. Box 71, Alexandria, Louisiana 71309-0071.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

**Funding Policy and Annual Pension Cost.** For the COAERS, employees are required by statute to contribute ten percent (10%) of their salary to the System. The City is required by statute to contribute remaining amounts necessary to finance the COAERS at an actuarially determined rate currently set at twenty seven and six-tenth percent (27.68%). The City's contributions to COAERS, for the fiscal years ended April 30, 2007, 2006, and 2005, were \$5,239,889, \$4,775,745 and \$3,686,348, respectively.

**Firemen's Pension and Relief Fund (FPARF)**

**Plan Description.** Effective May 1, 1993, the Fund merged into the statewide Firefighters' Retirement System (FRS). On this date, all retirees and survivors receiving benefits, at April 30, 1993, transferred to the FRS. In the event that a firefighter, hired prior to January 1, 1980, exercises his or her right to a twenty (20) year retirement any time under the age of fifty (50) and is not eligible to receive benefits from the state FRS, then the Fund shall provide benefits until that person is eligible for benefits under the FRS. In addition, the City of Alexandria and the Fund guaranteed that if a firefighter dies, retires, or becomes disabled subsequent to the merger, then the Fund shall pay to the firefighter, or the firefighter's survivors and/or beneficiaries, the difference, if any, where those benefits payable under the Fund prior to the merger exceed those benefits payable under the FRS. Benefits and contribution provisions are established by state law. FPARF issues a publicly available financial report that may be obtained by writing to the Firemen's Pension and Relief Fund of the City of Alexandria, P. O. Box 71, Alexandria, Louisiana 71309-0071.

**Funding Policy and Annual Pension Cost.** For the FPARF, members are not required to contribute to the funds. The City is required to contribute an amount sufficient to meet the operating deficit of each fund without regard for reserve requirements accruing or having accrued on an actuarial basis. The City's contributions to FPARF for the years fiscal ended April 30, 2007, 2006, and 2005, were \$20,000, \$20,000 and \$25,000, respectively.

For the two the single-employer defined benefit pension plans of the City, benefit and contribution provisions are established by state law and may be amended only by the Louisiana Legislature.



**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

The City's annual pension cost for the current year and related information for each of the City's single-employer plans is as follows:

	<u>COAERS</u>	<u>FPARF</u>
Contribution rate		
City	27.68%	n/a
Plan members	10.00%	n/a
Annual pension cost	\$ 5,239,889	\$ 20,000
Contributions made	\$ 5,239,889	\$ 20,000
Actuarial valuation date	12/31/06	n/a
Actuarial cost method	Frozen Entry Age Normal	n/a
Remaining amortization period	13 years	n/a
Asset valuation method	Three year smoothing for stocks. Other assets at amortized cost.	n/a
	<u>COAERS</u>	<u>FPARF</u>
Actuarial assumptions		
Investment rate of return	8.00%	n/a
Projected salary increases	5.50%	n/a
Includes inflation rate of	3.25%	n/a
Includes merit raises at	2.25%	n/a
Cost of living adjustments	None	n/a

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City of Alexandria	04/30/07	\$ 5,239,889	100%	\$ -
Employees' Retirement	04/30/06	4,775,745	100	-
System	04/30/05	3,686,348	100	-
Firemen's Pension	04/30/07	\$ 20,000	100%	\$ -
and Relief Fund	04/30/06	20,000	100	-
	04/30/05	25,000	100	-

**17. Defined Contribution Pension Plan**

The City sponsors a defined contribution plan (the Plan) available to unclassified employees who elect to participate. The Plan is administered by a third party administrator. The City's covered payroll for employees participating in the Plan for the current year was \$981,532. Employer contributions for the fiscal year were \$234,956 or approximately twenty-four percent (24%) of covered payroll. Employees do not contribute to the plan.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

Under the provisions of the Plan, City contributions are determined annually and contributions are allocated to participants based on participant's compensation. All monies in the employee's accounts, including the City's contributions, are immediately vested.

**18. Post employment benefits**

**Plan Description.** The City of Alexandria participates in a partially self funded health insurance program administered by United Healthcare.

The City Council extends post employment medical insurance benefits to qualifying employees. Eligibility of retirement is achieved upon completion of thirty (30) years with the City (any age), twenty-five (25) years of service (if age 55 or older), twenty (20) years of service (if age 60 or older), or ten (10) years of service (if 62 or older). In all cases, coverage is limited until the retiree becomes eligible for Medicare coverage. Currently the City provides post employment benefits to sixty-four (64) retired employees. This post employment benefits plan, a single employer defined benefit plan, provides retirees with a partially self funded medical insurance plan with a preferred provider organization (PPO) benefits administered by United Healthcare.

**Contribution Rates.** Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. Following is the monthly premium cost sharing for retirees and the City for 2007 as determined by the City Council of the City of Alexandria:

<u>United Healthcare</u>	<u>City</u>	<u>Employee</u>	<u>Total</u>
<b>Active:</b>			
Employee Only	\$ 379.69	\$ 58.92	\$ 438.61
Employee and Spouse	\$ 777.80	\$ 181.02	\$ 958.82
Employee and Children	\$ 519.09	\$ 198.04	\$ 717.13
Employee and Family	\$ 1,048.39	\$ 317.90	\$ 1,366.29
<b>Retired:</b>			
Employee Only	\$ 107.47	\$ 314.79	\$ 422.26
Employee and Spouse	\$ 234.94	\$ 688.13	\$ 923.07
Employee and Children	\$ 175.71	\$ 514.70	\$ 690.41
Employee and Family	\$ 334.77	\$ 980.59	\$ 1,315.36

**Funding Policy.** Until 2006, the City recognized the cost of providing post-employment medical benefits (the City's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2007, the City's portion of health care funding cost for retired employees totaled \$245,376.

Effective with the Fiscal Year beginning May 1, 2006 (one year earlier than required), the City prospectively implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). In 2006, the City also began the process of establishing a trust whose assets will be dedicated to providing post-employment benefits to retired employees and their beneficiaries and which will be legally protected from creditors. It is the intent of the City, once the trust is established, to contribute its portion of post employment benefits to the trust on a monthly basis.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

**Annual Required Contribution.** The City's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is equal to the normal cost plus an amount necessary to amortize the Unfunded Actuarial Liability (UAL) over a period of thirty (30) years. A level dollar, closed amortization period has been used. The total ARC for the fiscal year beginning May 1, 2006 is \$540,795, as set forth below:

Normal Cost	\$	185,400
30-year UAL amortization amount		355,395
Annual required contribution (ARC)	\$	540,795

**Net Post-employment Benefit Obligation (Asset).** The table below shows the City's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending April 30, 2007:

Beginning Net OPEB Obligation (Asset) 5/1/2006	\$	-
Annual required contribution		540,795
Interest on Net OPEB Obligation (Asset)		-
ARC Adjustment		-
OPEB Cost		540,795
Contribution		-
Current year retiree cost paid		(245,376)
Change in Net OPEB Obligation		295,419
Ending Net OPEB Obligation (Asset) 4/30/2007	\$	295,419

The following table shows the City's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual Cost Contributed</b>	<b>Net PEB Liability (Asset)</b>
April 30, 2007	\$ 540,795	45.4%	\$ 295,419

**Funded Status and Funding Progress.** In the fiscal year ending April 30, 2007, the City made no contributions to its post employment benefits plan trust since such a trust had not been established. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of May 1, 2006, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$4,410,029, which is defined as that portion, as determined by a particular actuarial cost method (the City uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2006/2007, the entire actuarial accrued liability of \$4,410,029 was unfunded.

CITY OF ALEXANDRIA, LOUISIANA

April 30, 2007

Notes to Financial Statements

**Actuarial Methods and Assumptions.** Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**Actuarial Cost Method.** The ARC is determined using the Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

**Actuarial Value of Plan Assets.** Since this is the first actuarial valuation, there are not any assets. It is anticipated that in future valuations a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

**Turnover Rate.** The following age related turnover scale was used:

Age	Percent Turnover
15 - 25	20.0%
26 - 41	12.0%
42 - 55	8.0%
55+	6.0%

**Post employment Benefit Plan Eligibility Requirements.** It is assumed that entitlement to benefits will commence three years after earliest eligibility for retirement. Eligibility for retirement has been assumed to be the any of: (1), attainment of age 55 with at least twenty-five (25) years of service, (2), attainment of age 60 with at least twenty (20) years of service, (3), attainment of age 62 with at least ten (10) years of service, and (4), completion of thirty (30) years of service at any age. Entitlement to benefits ceases upon the date the retiree becomes eligible for Medicare benefits (whether by age or disability).

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

**Investment Return Assumption (Discount Rate).** GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Based on the assumption that the ARC will be funded, a 7% annual investment return has been used in this valuation. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

**Health Care Cost Trend Rate.** In the absence of readily available cost trend data from the Office of Group Benefits, the expected rate of increase in health care insurance premiums is based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services as published in *National Health Care Expenditures Projections: 2003 to 2013*, Table 3: National Health Expenditures Aggregate and Per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January 2004, by the Health Care Financial Administration. "State and Local" rates for 2008 through 2013 from this report we used, with rates beyond 2013 graduating down to an ultimate annual rate of 5.0% for 2017 and later, as set forth below:

2007	8.0%
2008	8.0%
2009	8.0%
2010	8.0%
2011	7.9%
2012	7.8%
2013	7.7%
2014	7.6%
2015	6.7%
2016	6.0%
2017 and later	5.0%

**Mortality Rate.** The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans.

**Method of Determining Value of Benefits.** The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the City for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The City does not pay any portion of the premium after the retiree's eligibility for Medicare. Based on an analysis of recent claims experience provided, it was evident that the current "premium" schedules for active and retired were essentially "blended" rates. It was estimated that the active loss ratio has been approximately 85%, while the retired loss ratio has been 130%. Since GASB Statement 45 requires the use of unblended rates for the actuarial valuation, the valuation used the adjusted unblended retiree rates as the basis of projection of future OPEB medical costs.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

**19. Leases**

**A. City as Lessee**

On March 29, 1995, the City entered into a lease agreement with the England Economic and Industrial Development District (EEIDD) to lease the natural gas, water, and waste water systems located within the England Airpark. The term of the lease is for twenty (20) years beginning March 29, 1995 and ending March 28, 2015. The lease agreement provides that the City shall pay the EEIDD as rent under the lease five percent (5%) of gross charges for service billed to customers located within the Airpark boundaries including gross charges billed to the EEIDD. Lease payments are due to the EEIDD on May 15th and November 15th. It is not possible to determine the future minimum rental payments due under this lease. The City did not pay the EEIDD under this lease during the fiscal year ended April 30, 2007.

On January 11, 2000, the City entered into a proposal between Community Receiving Homes, Inc. and the City of Alexandria concerning the leasing of 74.92 acres of land adjacent to the intersection of LA Hwy 28 West and LA Hwy 3504 in Rapides Parish, Louisiana. The terms of the proposal provided in part for the following:

- A) The City of Alexandria agrees to lease from Community Receiving Homes, Inc. the front 16.47 acres bordering LA Hwy 28 West for the sum no less than \$100.00 annually per acre, or one thousand six hundred forty-seven and no/100 dollars (\$1,647.00) annually. Term of the lease to be 50 years from date of inception, beginning January 1, 2000.
- B) The City of Alexandria agrees to lease from Community Receiving Homes, Inc. the remaining 58.45 acres for a sum not less than \$100.00 per acre annually, or five thousand eight hundred forty-five and no/100 (\$5,845.00) annually. Term of the lease to be 5 years from date of inception beginning January 1, 2000.

Annual lease payments total \$7,492, however, since no formal lease agreements were executed regarding this proposal, it is not practical to reflect future minimum rental payments under this arrangement.

**B. City as Lessor**

The City is the lessor of property under operating leases expiring in various years. The following is a summary of property on lease at April 30, 2007:

	<u>Cost</u>
Startek Building	\$ 3,522,632
Convention Center Complex	<u>3,301,568</u>
	\$ 6,824,200

Total lease revenues for the fiscal year, consisting solely of minimum rentals on the above leases, amounted to \$162,305.

**CITY OF ALEXANDRIA, LOUISIANA**  
**April 30, 2007**

**Notes to Financial Statements**

---

Minimum future rentals to be received on non-cancelable leases as of April 30, 2007, for each of the next five years and in the aggregate are:

<u>Year ended April 30,</u>	<u>Amount</u>
2008	\$ 162,305
2009	119,870
2010	35,000
2011	35,000
2012	35,000
Thereafter	<u>128,333</u>
Total Minimum Future Rentals	\$ 515,508

**20. Compensation Paid to Members of The City Council**

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following report reflects compensation paid to members of the City Council, City of Alexandria, for the fiscal year ended April 30, 2007.

Charles L. Fowler, Jr.	\$ 18,000
Everett Hobbs	18,000
Myron K. Lawson	18,000
Louis J. Marshall	18,000
Charles F. Smith	18,000
Harry Silver	18,000
Roosevelt L. Johnson	18,000

**21. Contingencies**

Management has not calculated the possible rebate of arbitrage interest, as of April 30, 2007, on each of the recent tax exempt bond issues. The contingent liability, stated simply, is the interest earned from the investment of unspent bond proceeds that is in excess of the amount of earnings that would have been obtained had the investment rate been equal to the yield on the bonds. Since the rebate calculation is a cumulative calculation performed until all proceeds have been expended, management believes that the amount of the contingent liability for arbitrage interest, if any, will be eliminated in future years. In the event that the contingent liability for arbitrage interest is not eliminated, the City will be liable for remittance of the rebate amount, as subsequently calculated, to the federal government.

On August 19, 1983, the City of Alexandria entered into a merger contract with the Municipal Police Employees' Retirement System (MPERS). The purpose of the merger was to transfer all active policemen who were then participating in the City's Policemen's Pension and Relief Fund into the state wide retirement system. In conjunction with the merger of active policemen with MPERS, the City entered into a private agreement, "No Loss of Benefit Guarantee," with the local policemen which guaranteed that no member would lose any rights or benefits that the member would have been entitled to under the Policemen's Pension and Relief Fund. There are potential claims where certain retired employees may file an action against the City as a result of this merger. The essence of the unasserted claims is the position of certain retired police officers that some have a significant difference in benefits received from MPERS and the benefits that would have been received under the old Policemen's Pension and Relief Fund due to the fact that under MPERS overtime is not considered in computing retirement benefits. There are significant questions as to whether there is an actual obligation that the City would owe. If there is no obligation, then the City would be prohibited by the state constitution from responding to the unasserted claims.

CITY OF ALEXANDRIA, LOUISIANA

April 30, 2007

Notes to Financial Statements

---

**22. Compliance With Bond Ordinance No. 56-2003**

Section 8.5 of Bond Ordinance No. 56-2003, Utilities Revenue Refunding Bonds, Series 2003, provides the following: "Each such audit, in addition to whatever matters may be thought proper by the accountant to be included therein, shall include the following."

1. A statement in detail of the income and expenditures of the Utilities System for such fiscal year. See *Exhibit H, Page 26*.
2. A balance sheet as of the end of such fiscal year. See *Exhibit G, Page 25*.
3. The accountant's comments regarding the manner in which the Issuer has carried out the requirements of this Bond Ordinance, and the accountant's recommendations for any changes or improvements in the operation of the Utilities System or the method of keeping the records related thereto. See *Special Letter, Page 96-98*.
4. A list of the insurance policies in force at the end of the Fiscal year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy. See *Schedule 5, Pages 76-77*.
5. The number of metered water, gas, electric and sewerage customers and the number of unmetered water, gas, electric, and sewerage customers, if any. See *Schedule 4, Page 75*.
6. Description of the withdrawal of any Utilities System user comprising 4% or more of Utilities System sales measured in terms of revenue dollars, since the last audit. *None*.
7. An analysis of additions, replacements, and improvements to the physical properties of the Utilities System, including a description of any significant facility retirements or expansions planned or undertaken since the last audit. See *Note 6 to Financial Statements, Pages 45-47*.



**Required Supplemental Information - Part II**

**City of Alexandria, Louisiana  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended April 30, 2007**

Schedule 1

Variance with  
Final Budget -  
Positive  
(Negative)

	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 2,008,000	\$ 2,107,000	\$ 2,160,861	\$ 53,861
Sales taxes	6,600,000	7,100,000	7,576,599	476,599
Other	200,000	200,000	279,559	79,559
Intergovernmental	1,568,032	2,416,051	2,238,161	(177,890)
Fees, commissions, and fines	596,000	843,000	889,434	46,434
Licenses and permits	2,198,200	2,514,200	2,962,401	448,201
Charges for services	208,430	238,430	321,864	83,434
Investment earnings	75,000	250,000	260,175	10,175
Miscellaneous	272,005	339,569	443,992	104,423
<b>Total Revenues</b>	<u>13,725,667</u>	<u>16,008,250</u>	<u>17,133,046</u>	<u>1,124,796</u>
<b>Expenditures</b>				
Current				
General government	10,244,483	11,069,254	9,563,238	1,506,016
Public safety	22,100,927	24,345,186	23,383,434	961,752
Public works	10,039,417	9,786,231	8,820,756	965,475
Capital outlay	2,458,520	3,259,687	2,422,582	837,105
Debt service				
Principal	820,000	770,918	820,000	(49,082)
Interest and other charges	1,024,980	1,074,062	1,024,980	49,082
<b>Total Expenditures</b>	<u>46,688,327</u>	<u>50,305,338</u>	<u>46,034,990</u>	<u>4,270,348</u>
<b>Deficiency of Revenues over Expenditures</b>	<u>(32,962,660)</u>	<u>(34,297,088)</u>	<u>(28,901,944)</u>	<u>5,395,144</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	31,671,286	33,427,417	36,084,963	2,657,546
Transfers out	(3,006,823)	(4,323,431)	(4,257,576)	65,855
Proceeds from sale capital assets	-	165,000	90,358	(74,642)
<b>Total Other Financing Sources and Uses</b>	<u>28,664,463</u>	<u>29,268,986</u>	<u>31,917,745</u>	<u>2,648,759</u>
<b>Net Change in Fund Balances</b>	(4,298,197)	(5,028,102)	3,015,801	8,043,903
<b>Fund Balances, Beginning of Year</b>	<u>15,372,377</u>	<u>15,372,377</u>	<u>15,372,377</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 11,074,180</u>	<u>\$ 10,344,275</u>	<u>\$ 18,388,178</u>	<u>\$ 8,043,903</u>

See independent auditor's report.

**City of Alexandria, Louisiana  
City Sales Tax Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended April 30, 2007**

Schedule 2

**Variance with  
Final Budget -  
Positive  
(Negative)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Sales taxes	\$ 30,775,000	\$ 32,500,000	\$ 33,766,272	\$ 1,266,272
Total Revenues	<u>30,775,000</u>	<u>32,500,000</u>	<u>33,766,272</u>	<u>1,266,272</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(30,775,000)	(32,500,000)	(33,884,046)	(1,384,046)
Total Other Financing Sources and Uses	<u>(30,775,000)</u>	<u>(32,500,000)</u>	<u>(33,884,046)</u>	<u>(1,384,046)</u>
<b>Net Change in Fund Balances</b>	-	-	(117,774)	(117,774)
<b>Fund Balances, Beginning of Year</b>	<u>281,465</u>	<u>281,465</u>	<u>281,465</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 281,465</u>	<u>\$ 281,465</u>	<u>\$ 163,691</u>	<u>\$ (117,774)</u>

See independent auditor's report.

**Supplemental Information**

**City of Alexandria, Louisiana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended April 30, 2007**

Schedule 3

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Grant Number	Award Amount	Amount Expended	Amount Provided Subrecipients
<b>U. S. Department of Agriculture</b>					
<b>Forestry Service</b>					
Passed-through the State of Louisiana					
Cooperative Forestry Assistance	10.664		\$ 10,000	\$ 4,845	\$ -
<b>U.S. Department of Housing and Urban Development</b>					
<b>Community Planning and Development</b>					
Direct					
Community Development Block Grants/Entitlement Grants	14.218	Various	2,240,090	1,073,637	39,648
Home Investment Partnership Program	14.239	Various	2,320,792	208,243	38,641
Passed-through the State of Louisiana					
Emergency Shelter Grants Program	14.231	Various	<u>156,824</u>	<u>60,350</u>	<u>60,350</u>
Agency Totals			4,717,706	1,342,230	138,639
<b>U.S. Department of Justice</b>					
<b>Bureau of Justice Assistance</b>					
Direct					
Bulletproof Vest Partnership Program	16.307	03015499	188,886	12,681	-
Passed-through the State of Louisiana					
Edward Bryne Memorial Justice Assistance Grant Program	16.738	B-05-3-010	116,956	47,489	-
<b>Office of Justice Programs</b>					
Direct					
Weed and Seed Program	16.595	2006-WS-Q6-0201	175,000	64,975	-
Community Prosecution and Project Safe Neighborhoods	16.609	F08-8-002	<u>18,265</u>	<u>6,191</u>	-
Agency Totals			499,107	131,336	-
<b>U.S. Department of Transportation</b>					
<b>Federal Transit Administration</b>					
Direct					
Federal Transit Formula Grants	20.507	Various	3,544,451	1,668,017	-
<b>National Highway Traffic Safety Administration</b>					
Passed-through the State of Louisiana					
State and Community Highway Safety	20.600	Various	<u>111,600</u>	<u>66,321</u>	-
Agency Totals			3,656,051	1,734,338	-
<b>U.S. Department of Homeland Security</b>					
Direct					
Assistance to Police Officers Grant	97.607	77-66201-7701-6100	89,194	89,194	-
Assistance to Firefighters Grant	97.044	EMW-2004-FG-19221	230,983	171,273	-
Disaster Grants - Public Assistance (Presidential Declared)	97.036		N/A	<u>18,972</u>	-
Agency Totals			<u>320,177</u>	<u>279,439</u>	-
<b>TOTALS</b>			<u>\$ 9,203,041</u>	<u>\$ 3,492,188</u>	<u>\$ 138,639</u>

Note:

Expenditures for CFDA #20.507 are reported on the accrual basis of accounting. All other expenditures on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Note 1 to the financial statements provides additional information relative to the City's accounting policies.

See independent auditor's report.

**City of Alexandria, Louisiana**  
**Utilities System Enterprise Fund**  
**Unaudited Summary of Utility Service Customers**  
**April 30, 2007**

**Schedule 4**

<u>Type of Service</u>	<u>Number of Customers</u> <u>April 30, 2007</u>
Electricity	24,531
Water	21,212
Gas	16,473
Wastewater	17,102

See independent auditor's report.

**City of Alexandria, Louisiana**  
**Unaudited Listing of Insurance in Force**  
**April 30, 2007**

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

**Property**

Insurer: The Travelers Insurance Companies

Expiration date: May 6, 2007

Coverage:

Real property, comprising buildings, and personal property

Self-insured retention:

\$100,000 per occurrence deductible

Policy limits of liability:

\$250,000,000 per occurrence with specified sublimits

**Boiler and Machinery**

Insurer: Continental Casualty Company

Expiration date: May 6, 2007

Coverage:

Comprehensive boiler and machinery coverage including production machines

Loss retention:

Varies with a minimum of \$50,000 per occurrence

Policy limits of liability:

\$25,000,000 per accident with specified sublimits

**General Liability/Law Enforcement**

Insurer: Clarendon America Insurance Company

Expiration date: May 6, 2007

Coverage:

Bodily injury and property damage, personal and advertising injury,  
and law enforcement liability

Self-insured retention:

\$500,000 each and every loss and/or claim and/or occurrence

Policy limits of liability:

\$1,000,000 each and every loss and/or occurrence Combined Single Limit

\$3,000,000 in the aggregate annually as respects products/completed operations.

Public Officials Errors and Omissions

Coverage:

Any actual or alleged error or misstatement, omission, act of neglect or breach  
of duty including misfeasance, malfeasance and non-feasance by the Insured;  
includes actual or alleged violations of US or state constitutions or any law  
affording protection for civil rights

See Independent Auditor's Report.

**City of Alexandria, Louisiana**  
**Unaudited Listing of Insurance in Force**  
**April 30, 2007**

**Schedule 5**  
**(Concluded)**

**Employee Benefits Liability**

Insurer: Clarendon America Insurance Company

Expiration date: May 6, 2007

Coverage:

Any negligent act, error or omission in the administration of the Insured's employee benefits programs

Self-insured retention:

\$500,000 each and every loss and/or claim and/or occurrence

Policy limits of liability:

\$1,000,000 each and every loss and/or occurrence Combined Single Limit

\$3,000,000 in the aggregate annually as respects products/completed operations.

**Specific Excess Workers' Compensation and Employers Liability Indemnity**

Insurer: Safety National Casualty Company

Expiration date: May 6, 2007

Coverage:

Workers' compensation - statutory

Employers' liability - any cause of action by an employee against the City for bodily injury or disease in the course of employment

Loss retention:

\$500,000 per occurrence

Policy limits of liability:

Workers' compensation - statutory

Employers' liability - \$1,000,000 per occurrence

**Public Officials Bond**

Insurer: Western Surety Bond

Expiration Date: September 9, 2007

Coverage: Mayor

Policy limits of liability: \$100,000

**Fidelity Bond**

Insurer: Fidelity and Deposit Company of Maryland

Expiration date: May 21, 2007

Coverage: Tax Collector

Policy limits of liability: \$10,000

**Public Employees Honesty Bond**

Insurer: Fidelity and Deposit Company of Maryland

Expiration date: September 1, 2007

Coverage:

Employees in the Divisions of Finance, Public Works, Planning and CADS

Loss retention: \$1,000 per occurrence

Policy limits of liability: \$100,000 per employee

See Independent Auditor's Report.



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

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**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 Mayor and City Council  
City of Alexandria, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Louisiana, as of and for the year ended April 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the internal control of the City of Alexandria, Louisiana. We consider the deficiencies described in Finding 2007-01 through Finding 2007-03 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

MARVIN A. JUNEAU, C.P.A.  
ERNEST F. SASSER, C.P.A.  
ROBERT L. LITTON, C.P.A.

ROBERT W. DVORAK, C.P.A.  
REBECCA B. MORRIS, C.P.A.  
MICHAEL A. JUNEAU, C.P.A.

JAMES N. BALLARD, C.P.A.  
CINDY L. HUMPHRIES, C.P.A.

R. FRED RANDOW, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council  
City of Alexandria, Louisiana

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider Finding 2007-01 and Finding 2007-02 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Alexandria, Louisiana, in a separate letter, entitled *Other Comments and Recommendations*, dated October 22, 2007.

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

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2007-04.

The City of Alexandria, Louisiana's response to the findings identified in our audit is described in the accompanying *Management's Corrective Action Plan*. We did not audit the City of Alexandria, Louisiana's response and, accordingly, we express no opinion on it.

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

  
Certified Public Accountants

October 22, 2007

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

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

The Honorable Mayor and City Council  
City of Alexandria, Louisiana

**Compliance**

We have audited the compliance of the City of Alexandria, Louisiana, with the types of compliance requirements described in the U.S. Office Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management of the City of Alexandria, Louisiana. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Alexandria, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2007-05.

MARVIN A. JUNEAU, C.P.A.  
ERNEST F. SASSER, C.P.A.  
ROBERT L. LITTON, C.P.A.

ROBERT W. DYORAK, C.P.A.  
REBECCA B. MORRIS, C.P.A.  
MICHAEL A. JUNEAU, C.P.A.

JAMES W. BALLARD, C.P.A.  
CINDY L. HUMPHRIES, C.P.A.

H. FRED RANDOM, C.P.A.



1419 METRO DRIVE • P.O. BOX 13200 • ALEXANDRIA, LA 71315-3200

PH: (318) 443-1893 • FAX: (318) 443-2515



PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council  
City of Alexandria, Louisiana

### **Internal Control Over Compliance**

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

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

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

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

The City of Alexandria, Louisiana's response to the findings identified in our audit is described in the accompanying *Management's Corrective Action Plan*. We did not audit the City of Alexandria, Louisiana's response and, accordingly, we express no opinion on it.



PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council  
City of Alexandria, Louisiana

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

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

October 22, 2007



**CITY OF ALEXANDRIA, LOUISIANA**  
**Schedule of Findings and Questioned Costs**  
**for the Year Ended April 30, 2007**

---

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

Financial Statements

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>  X  </u>	Yes	<u>      </u> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>  X  </u>	Yes	<u>      </u> None reported
Noncompliance material to the financial statements?	<u>  X  </u>	Yes	<u>      </u> No

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u>      </u>	Yes	<u>  X  </u> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>      </u>	Yes	<u>  X  </u> None reported
Type of auditor's report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u>  X  </u>	Yes	<u>      </u> No
Identification of major programs:			
CFDA # 20.507 Federal Transit Formula Grants			
CFDA # 97.044 Assistance to Firefighters Grant			
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000		
Auditee qualified as a low-risk auditee?	<u>      </u>	Yes	<u>  X  </u> No

**CITY OF ALEXANDRIA, LOUISIANA**  
**Schedule of Findings and Questioned Costs**  
**for the Year Ended April 30, 2007**

---

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

**Finding 2007-01**

**Enforcement of Delinquent Utility Customer Accounts Policy**

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

*Condition:* The City has established policies and procedures for terminating service to a utility customer for nonpayment on account. Established policies and procedures were not followed in approximately 46% of delinquent accounts tested compared to lack of enforcement of established policies and procedures in approximately 20% of the accounts tested in the prior year. In addition, in a sample of 37 City employees' utility accounts with past-due balances, we found that established policies and procedures were not followed for 24 of these accounts. We noted several instances in which work orders to terminate service for nonpayment were cancelled with insufficient or no documentation supporting the reason for the cancellation of the work order. The City's software does not provide complete documentation identifying the employee cancelling the work order.

*Recommendation:* We continue to recommend that established policies and procedures be strictly enforced. Any deviation from these procedures should require the written approval of the Director of Finance. A request should be made to the software vendor to change the program for the provision of a complete audit trail for work orders cancelled.

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

**Finding 2007-02**

**Utility Customer Penalty Exempt Accounts**

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

*Condition:* When a new utility customer account is established, a code is entered on the customer's master record establishing the penalty code for the account. This code governs when penalties for nonpayment are assessed, when delinquent notices are mailed to the customer, and when work orders to terminate services for nonpayment are generated. A number of employees have the ability to enter or change this code. The software does not track changes to the code. For several reasons, a customer may qualify for a penalty exempt status. During current year testing, City personnel were unable to provide sufficient evidence to document why 14 of 74 accounts tested were in penalty exempt status. These 14 accounts did not appear to meet the criteria for either being in a penalty exempt status or remaining in a penalty exempt status.

**CITY OF ALEXANDRIA, LOUISIANA**  
**Schedule of Findings and Questioned Costs**  
**for the Year Ended April 30, 2007**

---

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

*Recommendations:* We suggest the following improvements:

- When a new account is created, it should be reviewed and approved by a team leader to ensure that such items as the penalty code is correctly entered.
- A request should be made to the software vendor to for provision of an audit trail to track changes to the penalty code.
- The software security should be set so that only specifically allowed employees may enter or change the penalty code. The number of employees allowed to enter or change the code should be limited to the fewest number practical.

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

**Finding 2007-03**

**Purchasing Procedures**

*Criteria:* It is our understanding that the City's purchasing procedures requires that a department obtain an approved purchase requisition from the purchasing department prior to submitting an order for materials and supplies.

*Condition:* During our various tests of disbursements, we located seventeen purchases with purchase requisitions dated after the invoice, indicating that the purchasing procedures were circumvented in these instances.

*Recommendation:* We recommend that purchasing policy be followed. Departmental employees should be reminded of the various policies.

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

**Finding 2007-04**

**Alexandria Museum of Art**

*Criteria:* It is our understanding that Article 7, Section 14 of the Louisiana Constitution provides, in part, that things of value may not be loaned pledged or donated to or for any person, association, or corporation, public or private.

*Condition:* From January 2006 through December 2006, the City furnished the Alexandria Museum of Art approximately \$77,000 in utilities. During that time the Museum made no payments for these utilities. We were unable to determine what efforts, if any, were made by the City to collect the delinquent charges. We were also unable to determine why the Museum continued to receive utilities in apparent violation of the City's cut-off policies.

On September 1, 2006, Louisiana State University (LSU) obtained the use of the premises known as the Alexandria Museum of Art. On December 15, 2006, the City of Alexandria and LSU entered into an interagency agreement by which LSU will grant the use of one office space to the City, in consideration for which the City will provide utilities and parking on adjoining City property to the Museum. From January 2007 through April 2007, the City furnished utilities valued at \$22,498 to the Museum, for an average of about \$5,600 per month. The consideration provided by the City to the Museum appears to exceed the value of the office space.

**CITY OF ALEXANDRIA, LOUISIANA**  
**Schedule of Findings and Questioned Costs**  
**for the Year Ended April 30, 2007**

---

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

*Effect:* It is our understanding that the provision of utilities with little or no effort made to collect for the utilities provided may be a violation of Article 7, Section 14 of the Louisiana Constitution. Also, the provision of utilities and parking spaces to the Museum with an apparent value much greater than the value of the office space received for these services may be a violation of Article 7, Section 14 of the Louisiana Constitution.

*Recommendation:* We recommend that the City make every reasonable effort to collect the approximately \$77,000 owed by the Museum prior to the execution of the interagency agreement. We also recommend that the City's legal council review the interagency agreement to determine if it complies with the Louisiana Constitution.

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

**CITY OF ALEXANDRIA, LOUISIANA**  
**Schedule of Findings and Questioned Costs**  
**for the Year Ended April 30, 2007**

---

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

**Finding 2007-05**

**Allowable Costs**

Federal Agency: U. S. Department of Housing and Urban Development  
CFDA Number: 14.218  
Program Title: Community Development Block Grants/Entitlement Grants

*Criteria:* Community Development Block Grants limit administration costs to 20% of the grant amount plus 20% of any program income.

*Condition:* During the current year, management inadvertently requested and received reimbursement for administrative costs in excess of the amount allowable under one of the grants. During preparation of the annual grantee performance report subsequent to year-end, management discovered and corrected the error.

*Questioned Costs:* \$9,981

*Cause and Context:* The excess funds were requested due to an isolated computational error.

*Recommendations:* Greater care should be taken in preparing and reviewing reimbursement requests to ensure that excess amounts are not requested for reimbursement.

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

### **Other Comments and Recommendations**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Other Comments and Recommendations

The Mayor and City Council  
City of Alexandria, Louisiana

In planning and performing our audit of the basic financial statements of the City of Alexandria, Louisiana, as of and for the year ended April 30, 2007, we considered the City's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and compliance. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report, dated October 22, 2007 contains our report on reportable conditions on the City's internal control. This letter does not affect our report, dated October 22, 2007 on the basic financial statements of the City of Alexandria, Louisiana.

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

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

October 22, 2007

MARVIN A. JUREAU, C.P.A.  
ERNEST F. SASSER, C.P.A.  
ROBERT L. LITTON, C.P.A.

ROBERT W. DVORAK, C.P.A.  
REBECCA B. MORRIS, C.P.A.  
MICHAEL A. JUREAU, C.P.A.

JAMES N. BALLARD, C.P.A.  
CINDY L. HUMPHRIES, C.P.A.

H. FRED RANDOW, C.P.A.



1419 MEYER DRIVE • P.O. BOX 13200 • ALEXANDRIA, LA 71315-3200

PH: (318) 443-1893 • FAX: (318) 443-2515

## Memorandum of Other Comments and Recommendations

---

### Finding 2007-06

### Waiver of Non-Payment Penalty

*Condition:* The City has an established policy of granting a waiver of nonpayment penalty on customer accounts meeting certain criteria such as an elderly customer living on a fixed income to allow the customer to make payments latter than the normal due date without incurring a penalty. The customer is required to have an approved application on file with the City to document the waiver. Utility office employees were not able to locate the approved waiver for three out of seven penalty exempt accounts tested. In addition, our tests indicated that utility office personnel do not check penalty exempt accounts on a regular basis to determine if the customers are complying with the terms of the waiver.

*Recommendation:* We recommend that utility office personnel create a better filing system for the waivers. Because of space limitations, the City may wish to establish scanning and electronic filing procedures for these documents. We also recommend that penalty exempted accounts be checked on a regular basis for compliance with the terms of the waivers.

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

### Finding 2007-07

### Executed Contracts

*Condition:* On December 7, 2006, the Council adopted an operating agreement for the management of Alexandria Riverfront Center. An unexecuted copy of the contract was filed with the ordinance. Management was unable to provide us with a signed and executed copy of the operating agreement.

*Recommendation:* We recommend that procedures be adopted to control the flow of such documents, who is responsible for obtaining the required signatures, and where the original documents are filed.

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

### Finding 2006-08

### Lease Agreements

*Condition:* We previously reported that on January 11, 2000, the City entered into a proposal between Community Receiving Homes, Inc. and the City of Alexandria concerning the leasing of 74.92 acres of land adjacent to the intersection of LA Hwy 28 West and LA Hwy 3504 in Rapides Parish, Louisiana. The terms of the proposal provided in part for the following:

- A) The City of Alexandria agrees to lease from Community Receiving Homes, Inc. the front 16.47 acres bordering LA Hwy 28 West for the sum no less than \$100.00 annually per acre, or one thousand six hundred forty-seven and no/100 dollars (\$1,647.00) annually. Term of the lease was to be 50 years from date of inception, beginning January 1, 2000.
- B) The City of Alexandria agrees to lease from Community Receiving Homes, Inc. the remaining 58.45 acres for a sum not less than \$100.00 per acre annually, or five thousand eight hundred forty-five and no/100 dollars (\$5,845.00) annually. Term of the lease was to be 5 years from date of inception beginning January 1, 2000.



## Memorandum of Other Comments and Recommendations

---

Management continues to report that actual lease agreements have not been formally entered into and that the proposal continues to be in effect. Substantial improvements consisting of the Johnny Downs Sports Complex were constructed on this property.

*Recommendation:* We continue to recommend that the City Attorney review this matter and advise management and the Council of the correct procedures to remedy this situation.

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

### **Finding 2007-09**

### **Sanitation Fees**

*Condition:* During part of the year ended April 30, 2007, cycle billings to utility customers contained more than the normal 28 to 30 days in the cycle. At times the number of days in the various cycles exceeded 40 days. Because of the increased number of days in the various cycles, some customers received only two bills in a 90 day period instead of the normal 3 bills. This situation has no great affect on metered services such as electricity or gas which are billed from read date to read date. However, for non-metered services such as sanitation, it results in an unbilled revenue cycle.

*Cause:* Management indicated that the cause of the condition was a lack of meter readers due to attrition for part of the year and difficulty in hiring replacement meter readers.

*Effect:* Since only 11 cycles instead of 12 cycles were billed during the year ended April 30, 2007, the City failed to bill and collect sanitization fees and disposal costs estimated to be in the range of \$260,000 to \$310,000.

*Recommendation:* We recommend that management establish procedures to ensure that billing cycles are not interrupted to prevent a future reoccurrence of this situation.

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

**Special Letter**  
**Re: Resolution Number 2341-1982**  
**Requirement of Specific Recommendations**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

The Honorable Mayor and City Council  
City of Alexandria, Louisiana

RE: Resolution Number 2341-1982  
Requirement of specific  
recommendations

In accordance with Resolution Number 2341-1982, "a resolution relative to the fulfillment of commitments of the City of Alexandria relative to the Combined Utilities System", as engaged independent certified public accountants, we were requested to include specific recommendations to ensure that the City and the Combined Utilities System generate sufficient revenues to pay operation and maintenance expenses of the Combined Utilities System and debt service on outstanding revenue bonds payable from such revenue, and to make all budgeted transfers to other funds of the City. During the current year, the City fulfilled each of these commitments.

For future periods, the City should continue to accomplish the following steps:

- 1) Prepare and approve an annual operating budget of the Combined Utilities System based upon the best criteria of revenue and expense estimates that can be reasonably developed.
- 2) Provide for budgetary control on a line item basis and monitor budget variances on a current basis. Amendments should be addressed for any unusual exceptions as they are encountered.
- 3) Provide projected monthly cash flow schedules with comparisons to actual, prior, and current amounts. Any unusual variances should be investigated.
- 4) Maintain current and accurate accounting records relative to financial activity of the system.
- 5) Reconcile subsidiary ledgers to appropriate general ledger control accounts on a current basis.

MARVIN A. JONEAU, C.P.A.  
ERNEST F. SASSER, C.P.A.  
ROBERT L. LITTON, C.P.A.

ROBERT W. DYORAK, C.P.A.  
REBECCA B. MORRIS, C.P.A.  
MICHAEL A. JONEAU, C.P.A.

JAMES R. BALLARD, C.P.A.  
CINDY L. HUMPHRIES, C.P.A.

H: FRED RANDOM, C.P.A.



96

1419 METRO DRIVE • P.O. BOX 13200 • ALEXANDRIA, LA 71315-3200

PR: (318) 443-1893 • FAX: (318) 443-2515



PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council  
City of Alexandria, Louisiana

- 6) Provide for a complete review of the accounting trial balance and underlying transactions on a current basis for obvious posting errors. Investigate and/or correct unusual items as needed.
- 7) Update utility rate studies as practical and adjust rates as necessary to provide adequate revenues to meet budgeted needs.
- 8) Implement other recommendations, if any, relative to the Combined Utilities System as noted in our accompanying schedule of findings and questioned costs.

*Payne Moore & Herrington, LLP*  
Certified Public Accountants

October 22, 2007

**Management's Corrective Action Plan**

**CITY OF ALEXANDRIA, LOUISIANA  
Management's Corrective Action Plan  
Year Ended April 30, 2007**

The City of Alexandria, Louisiana respectfully submits the following corrective action plan for the year ended April 30, 2007.

Independent Public Accounting Firm: Payne, Moore & Herrington, LLP  
P. O. Box 13200  
Alexandria, Louisiana 71315-3200

Auditee Contact Person: Mr. David Crutchfield  
Director of Finance  
City of Alexandria, Louisiana  
(318) 449-5094

Audit Period: May 1, 2006 through April 30, 2007

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

<b>Section I: Findings Relating to the Financial Statements Which are Required to be Reported Under Government Auditing Standards</b>	
Finding 2007-01  Response	Enforcement of Delinquent utility Customer Accounts Policy  Utility costs during Fiscal Year 2006-2007 remained high and continued to put a strain on the utility customers. While this does not change the written policy of the City, the high volume of delinquent customers did make it difficult to keep up with timely termination of services. Termination of services to a customer is a last resort, especially with commercial accounts as terminating services to a business affects the employees and customers as well as the owner. Management tries to exhaust all available methods of payment arrangements available before discontinuing service. All customer service employees have been counseled on the importance of strictly enforcing the written policies and procedures.
Finding 2007-02  Response	Utility Customer Penalty Exempt Accounts  Management has limited access to account code modifications to fewer personnel. We believe that timely reporting and monitoring of reports is important to effectively managing data changes and exceptions in the customer database. The exception reports will be generated and reviewed monthly.
Finding 2007-03  Response	Violation of Purchasing Policy  Division directors have been reminded of the importance of following the purchasing procedures as documented. Copies of the purchasing policies and procedures will be redistributed to appropriated personnel.
Finding 2007-04  Response	Alexandria Museum of Art  The City Attorney's office is currently reviewing the agreement for compliance issues with the state constitution. The agreement may be modified if necessary. The Administration will also follow up on remedies for the outstanding utility balance that precedes the agreement start date

**CITY OF ALEXANDRIA, LOUISIANA  
Management's Corrective Action Plan  
Year Ended April 30, 2007**

<b>Section II: Findings and Questioned Costs for Federal Awards</b>	
<b>Finding 2007-05</b>	<b>Allowable Costs</b>
<b>Response</b>	This appears to be an isolated incident of a computational error. The error was identified and corrected by city personnel.

<b>Section III: Other Comments and Recommendations (Management Letter)</b>
--

<b>Finding 2007-06</b>	<b>Waiver on Non-Payment Penalty</b>
<b>Response</b>	The Administration currently has a request for proposals being prepared for a document imaging system that will greatly reduce lost paperwork due to improper filing or shortage of file space.
<b>Finding 2007-07</b>	<b>Executed Contracts</b>
<b>Response</b>	The agreement between the City of Alexandria and the Convention and Visitors Bureau is ready for signatures after being reviewed and revised by the new administration and passed by the City Council.
<b>Finding 2007-08</b>	<b>Lease Agreements</b>
<b>Response</b>	The Administration has reached an agreement with the Louisiana Department of Health and Hospitals to enter into a long term lease with no retroactive liability to the municipality. The City of Alexandria is currently awaiting the final draft of the agreement from the Department of Health & Hospital's general counsel.
<b>Finding 2007-09</b>	<b>Sanitation Fees</b>
<b>Response</b>	This situation occurred due to a shortage of employees in the meter reading department. Employee attrition and the slow process for filling vacant positions led to a critical slow down in the process of getting the meters read and billing customers. The Civil Service Department had previously denied requests to allow contract labor to be utilized in reading meters. Management now employs contract labor to fill in when necessary to ensure timely billing.

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



**CITY OF ALEXANDRIA, LOUISIANA**  
**Management's Schedule of Prior Year Findings**  
**For the Year Ended April 30, 2007**

<b>Section I:</b> Internal Control And Compliance Material to the Financial Statements		
Finding 2006-01	Parts Warehouse Inventory	Resolved.
Finding 2006-02	Enforcement of Delinquent Utility Customer Accounts Policy	Not Resolved. See 2007-01
Finding 2006-03	Collection of Delinquent Utility Account	Resolved.
Finding 2006-04	Utility Customer Penalty Exempt Codes	Not Resolved. See 2007-02
Finding 2006-05	Receivable Controls	Resolved.
<b>Section II:</b> Internal Control and Compliance Material to Federal Awards		
	None reported.	

<b>Section III:</b> Other Comments and Recommendations (Management Letter)		
Finding 2006-06	Waiver of Non-Payment Penalty	Not Resolved. See 2007-06
Finding 2006-07	Alexandria Riverfront Management Agreement	Not Resolved. See 2007-07
Finding 2006-08	Lease Agreements	Not Resolved. See 2007-08