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City of Leesville

Leesville, Louisiana

June 30, 1996



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Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

CITY OF LEESVILLE, LOUISIANA

JUNE 30, 1996

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

We have audited the accompanying primary government financial statements and the combining, individual fund, and account group financial statements of the City of Leesville, Louisiana, as of and for the year ended June 30, 1996, as listed in the table of contents. These financial statements are the responsibility of the management of City of Leesville, Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 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 opinion.

As more fully explained in Note 1, the financial statements of the General Fixed Assets Account Group include only assets acquired subsequent to 1971. Records of general fixed assets acquired prior to 1972 were not maintained. Generally accepted accounting principles require the recording of fixed assets at cost, or estimated historical cost, if cost records are not available.

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PAYNE, MOORE & HERRINGTON, LLP

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effects of not recording general fixed assets acquired prior to 1972 as discussed above, the primary government financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the primary government of City of Leesville, Louisiana, as of June 30, 1996, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, except for the effects of not recording general fixed assets acquired prior to 1972, the combining, individual fund and account group financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Leesville, Louisiana, as of June 30, 1996, and the results of operations of such funds and the cash flows of individual proprietary funds for the year then ended in conformity with generally accepted accounting principles.

However, the primary government financial statements, because they do not include the financial data of the component units of the City of Leesville, Louisiana, do not purport to, and do not, present fairly the financial position of the City of Leesville, Louisiana, as of June 30, 1996, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the primary government financial statements taken as a whole and on the combining, individual fund, and account group financial statements. The accompanying financial information listed as additional information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Leesville, Louisiana. Such information, except for the listing of insurance in force marked "unaudited," has been subjected to the auditing procedures applied in the audit of the primary government, combining, individual fund, and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups of the primary government taken as a whole.



PAYNE, MOORE & HERRINGTON, LLP

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 1996, on our consideration of the internal control structure of the City of Leesville, Louisiana, and a report dated November 8, 1996, on its compliance with laws and regulations.

Payne, Moore & Herrington, LLP
Certified Public Accountants

November 8, 1996

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

The Primary Government Financial Statements, which include all funds and account groups of the City that are not legally separate, are designed to provide an overview of the financial position and results of operations for the primary government as a whole. Additional information in the form of combining, individual fund, and account group statements and schedules is included elsewhere in this report.

CITY OF LEESVILLE, LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1996

EXHIBIT A

	PRIMARY GOVERNMENT'S										TOTAL MEMORANDUM ONLY
	GOVERNMENTAL FUND TYPES					PROPRIETARY FUND TYPES					
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT			
ASSETS AND OTHER DEBITS											
ASSETS											
Cash	\$234,422	\$734,382	\$464,355	\$255,022	\$ 233,549	\$159,761	\$	\$	\$ 2,081,491		
Investments	204,511	18,868	157,281		294,526				675,186		
Receivables (Net of allowance)	121,433	17,978	1,654	290,132	222,231	917			654,345		
Due from other funds	137,902	95,586		68,141	184,205				485,834		
Inventories	35,335	3,105			794,224				38,440		
Restricted assets									794,224		
Fixed assets (Net, where applicable, of accumulated depreciation)					8,562,709	1,680	20,271,012		28,833,721		
Other assets					100,094				101,774		
OTHER DEBITS											
Amount available in debt service funds									623,186		
Amount to be provided for retirement of general long-term debt									3,710,752		
TOTAL ASSETS AND OTHER DEBITS	<u>\$733,603</u>	<u>\$869,919</u>	<u>\$623,290</u>	<u>\$613,295</u>	<u>\$10,391,538</u>	<u>\$162,358</u>	<u>\$20,271,012</u>	<u>\$4,333,938</u>	<u>\$37,998,953</u>		
LIABILITIES, EQUITY, AND OTHER CREDITS											
LIABILITIES											
Accounts and contracts payable	\$102,131	\$ 43,143	\$	\$390,492	\$ 31,098	\$ 8,267	\$	\$	\$ 575,131		
Other current liabilities and accrued expenses	5,096	7,175	104	193	62,257				74,528		
Due to other funds	9,522	90,174			385,841				485,834		
Due to other governments		110,008			147,599				110,008		
Customers' deposits									147,599		
Compensated absences									119,674		
Capitalized leases payable					2,670				41,934		
General obligation bonds					1,827,936				935,000		
Revenue bonds					1,046,650				2,762,936		
Certificates of indebtedness					1,195,000				3,636,650		
Total Liabilities	<u>116,749</u>	<u>250,500</u>	<u>104</u>	<u>390,685</u>	<u>4,699,051</u>	<u>8,267</u>	<u>-0-</u>	<u>4,333,938</u>	<u>9,799,294</u>		
EQUITY AND OTHER CREDITS											
Investment in general fixed assets							20,271,012		20,271,012		
Contributed capital									4,369,180		
Retained earnings									446,336		
Reserved									1,031,062		
Unreserved									1,166,486		
Fund balances									222,610		
Reserved									692,973		
Unreserved									28,199,659		
Designated											
Undesignated											
Total Equity and Other Credits	<u>616,854</u>	<u>76,119</u>	<u>623,186</u>	<u>222,610</u>	<u>5,692,487</u>	<u>154,091</u>	<u>20,271,012</u>	<u>-0-</u>	<u>28,199,659</u>		
	<u>616,854</u>	<u>619,419</u>	<u>623,186</u>	<u>222,610</u>	<u>5,692,487</u>	<u>154,091</u>	<u>20,271,012</u>	<u>-0-</u>	<u>28,199,659</u>		
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS	<u>\$733,603</u>	<u>\$869,919</u>	<u>\$623,290</u>	<u>\$613,295</u>	<u>\$10,391,538</u>	<u>\$162,358</u>	<u>\$20,271,012</u>	<u>\$4,333,938</u>	<u>\$37,998,953</u>		

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

CITY OF LEESVILLE, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 1996

EXHIBIT B

PRIMARY GOVERNMENT'S

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL MEMORANDUM ONLY
REVENUES					
Taxes	\$ 409,045	\$ 1,223,266	\$ 104,298		\$ 1,736,609
Licenses and permits	276,077				276,077
Charges for services	34,569	310,790			345,359
Intergovernmental	247,627	445,326		1,962,966	2,655,919
Fines and forfeitures	130,669				130,669
Interest	15,168	12,758	20,635	11,111	59,672
Other	41,612	17,931		4,176	63,719
Total Revenues	<u>1,154,767</u>	<u>2,010,071</u>	<u>124,933</u>	<u>1,978,253</u>	<u>5,268,024</u>
EXPENDITURES					
Current					
General government	442,509	105,920			548,429
Public safety	1,002,260	667,115			1,669,375
Public works	464,240				464,240
Economic development	53,307				53,307
Culture and recreation		281,112			281,112
Special programs		128,044			128,044
Debt service					
Principal	8,828		330,000		338,828
Interest and fiscal charges	1,076		254,769		255,845
Capital outlay	93,294				93,294
Total Expenditures	<u>2,065,514</u>	<u>1,342,996</u>	<u>584,769</u>	<u>2,926,111</u>	<u>3,180,210</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(910,747)	667,075	(459,836)	(947,858)	(1,651,366)
OTHER FINANCING SOURCES (USES)					
Certificates of Indebtedness proceeds				700,000	700,000
Certificates of Indebtedness issuance costs				(10,907)	(10,907)
Operating transfers in	750,000	39,989	437,000	175,941	1,402,930
Operating transfers out	(257,059)	(645,871)			(902,930)
Total Other Financing Sources (Uses)	<u>492,941</u>	<u>(605,882)</u>	<u>437,000</u>	<u>865,034</u>	<u>1,189,093</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(417,806)	61,193	(22,836)	(82,824)	(462,273)
FUND BALANCES, BEGINNING OF YEAR	1,034,660	558,226	646,022	305,434	2,544,342
FUND BALANCES, END OF YEAR	<u>\$ 616,854</u>	<u>\$ 619,419</u>	<u>\$ 623,186</u>	<u>\$ 222,610</u>	<u>\$ 2,082,069</u>

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

CITY OF LEESVILLE, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS -
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1996

EXHIBIT D

	PRIMARY GOVERNMENT'S		
	ENTERPRISE	INTERNAL SERVICE	TOTAL MEMORANDUM ONLY
OPERATING REVENUES			
Charges for services	\$1,602,069	\$339,668	\$1,941,737
Other		3,836	3,836
Total Operating Revenues	1,602,069	343,504	1,945,573
OPERATING EXPENSES			
Salaries and fringe benefits	230,897		230,897
Repairs and maintenance	92,609		92,609
Depreciation	313,513		313,513
Other operating expenses	281,991	15,340	297,331
Claims paid		168,931	168,931
Insurance premiums		90,772	90,772
Total Operating Expenses	919,010	275,043	1,194,053
OPERATING INCOME	683,059	68,461	751,520
NONOPERATING REVENUES (EXPENSES)			
Ad valorem taxes	314,756		314,756
Interest revenue	26,836		26,836
Interest expense and fiscal charges	(183,381)		(183,381)
Total Nonoperating Revenues (Expenses)	158,211	-0-	158,211
INCOME BEFORE OPERATING TRANSFERS	841,270	68,461	909,731
OPERATING TRANSFERS OUT	(500,000)		(500,000)
NET INCOME	341,270	68,461	409,731
RETAINED EARNINGS, BEGINNING OF YEAR	982,037	85,630	1,067,667
<u>RETAINED EARNINGS, END OF YEAR</u>	<u>\$1,323,307</u>	<u>\$154,091</u>	<u>\$1,477,398</u>

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

CITY OF LEESVILLE, LOUISIANA
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1996

EXHIBIT E

	PRIMARY GOVERNMENT'S		
	ENTERPRISE	INTERNAL SERVICE	TOTAL MEMORANDUM ONLY
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 683,059	\$ 68,461	\$ 751,520
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	313,513		313,513
Provision for doubtful accounts	10,659		10,659
Changes in assets and liabilities			
Receivables	22,936	(917)	22,019
Due from other funds	(130,088)		(130,088)
Accounts payable	1,252	(26,566)	(25,314)
Other current liabilities	(713)		(713)
Accrued expenses	1,637		1,637
Due to other funds	132,765		132,765
Customers' deposits	3,752		3,752
Net Cash Provided by Operating Activities	1,038,772	40,978	1,079,750
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers out	(500,000)	-0-	(500,000)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Ad valorem taxes	314,756		314,756
Issuance of general obligation bonds	1,827,936		1,827,936
Acquisition of property, plant, and equipment	(1,803,786)		(1,803,786)
Bond issuance costs	(67,399)		(67,399)
Payments of revenue bonds and other indebtedness	(254,750)		(254,750)
Interest paid on long-term debt	(172,891)		(172,891)
Net Cash Used by Capital Financing Activities	(156,134)	-0-	(156,134)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(11,614)		(11,614)
Interest received	26,321		26,321
Net Cash Provided by Investing Activities	14,707	-0-	14,707
INCREASE IN CASH	397,345	40,978	438,323
CASH, BEGINNING OF YEAR	630,428	118,783	749,211
<u>CASH, END OF YEAR</u>	<u>\$ 1,027,773</u>	<u>\$159,761</u>	<u>\$ 1,187,534</u>
CLASSIFIED AS			
Current Assets	233,549	159,761	393,310
Restricted Assets	794,224		794,224
<u>TOTALS</u>	<u>\$ 1,027,773</u>	<u>\$159,761</u>	<u>\$ 1,187,534</u>

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

CITY OF LEESVILLE

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1996

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CITY OF LEESVILLE

JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leesville, Louisiana (the "City") was incorporated by proclamation of the governor on February 15, 1900. The City operates under a council-administrator form of government.

The financial statements of the City of Leesville, Louisiana, (the primary government) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

A. The Financial Reporting Entity

The City of Leesville is a municipal corporation governed by an elected seven-member board. The accompanying financial statements present only the data of the primary government.

A primary government is a legal entity or body politic, and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. These financial statements do not include the data of the component units necessary for reporting in conformity with generally accepted accounting principles.

B. Individual Component Units Not Included in this Report

The City has two component units which are legally separate from the City. The City Marshal and the City Judge are elected by the voters of the City of Leesville. This report does not include these component units.

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

CITY OF LEESVILLE
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NOTES TO FINANCIAL STATEMENTS

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

Administrative Offices:

Leesville City Marshal
P.O. Box 1486
Leesville, Louisiana

Leesville City Court
P.O. Box 1486
Leesville, Louisiana

C. Related Organization

The Leesville Housing Authority. The Authority is accountable to the City since the City Council appoints the Authority's board members. However, since the City does not have the ability to impose its will on the Authority and no financial benefit/burden relationship exists, the City is not considered financially accountable for the Authority. Accordingly, the Authority is not considered part of the City for financial reporting purposes.

D. Fund Accounting

The City uses funds and account groups to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the City are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

CITY OF LEESVILLE
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NOTES TO FINANCIAL STATEMENTS

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

The General Fixed Asset Account Group is used to account for fixed assets other than those used in the proprietary funds.

The General Long-Term Debt Group of Accounts is used to account for long-term debt not accounted for in other funds.

E. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debts are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

CITY OF LEESVILLE
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NOTES TO FINANCIAL STATEMENTS

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, 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.

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

The City may report deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with GAAP which is also consistent with state law. Annual appropriated budgets are adopted for General, Special Revenue, and Debt Service Funds. All annual appropriations lapse at the end of the fiscal year. Budgets for capital projects are adopted on a project-length basis. Because these non-operating budgets primarily serve as a management control function, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided in this document. Budgets established for proprietary funds are management budgets and as such are not required to be reported in this document.

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

1. The City Administrator prepares a proposed budget and submits it to the Mayor and Council no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, the date of a public hearing is published.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.

CITY OF LEESVILLE
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NOTES TO FINANCIAL STATEMENTS

4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. All budgets are controlled at the fund level. Budgetary amendments involving the transfers of funds from one fund or project to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the City Council. Budgeted amounts shown in the financial statements are as originally adopted or as amended from time to time by the Council.

G. Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

H. Cash and Investments

Management considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Investments, which consist of certificates of deposit, are stated at cost, which approximates market value.

I. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

J. Inventories

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. All inventories are accounted for in the General Fund as assets when purchased and recorded as expenditures or expenses when consumed. Inventory items consumed by other funds are recorded through the interfund receivable/payable accounts.

CITY OF LEESVILLE
JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

K. Restricted Assets

Certain proprietary fund assets are classified as restricted assets because their use is limited by applicable bond covenants or by Council action. Various "debt service accounts" segregate resources accumulated for debt service payments of the sewer and water bonds and certificates of indebtedness. "Capital additions and contingencies accounts" are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacement for the water and sewer systems. These resources may also be used for debt service if funds are not otherwise available. "Customers' deposit account" reports funds received from customers for utility deposits.

L. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. The City has elected to capitalize public domain ("infrastructures") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements. Fixed assets are valued at historical cost for those acquired after 1971. The cost of fixed assets acquired prior to 1972 is not recorded and is not included in general fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment, and vehicles in the proprietary funds is computed using the straight-line method over the estimated useful life.

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.

M. Bond Issuance Costs

In governmental fund types, 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 are recorded as deferred charges.

CITY OF LEESVILLE
JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

N. Compensated Absences

Accumulated leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. 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.

O. Interfund Transactions

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Q. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

CITY OF LEESVILLE
JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

R. Retained Earnings - Reserved

Retained earnings - reserved, as reported on the combined balance sheet, represents certain restricted assets accumulated in accordance with the outstanding revenue bond indentures which are in excess of related current liabilities payable from restricted assets.

S. Memorandum Only - Total Columns

Total columns on the primary government financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

T. Estimates

The preparation of financial statements in conformity with generally accepted accounting principals 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 INVESTMENTS

Under state law, the City may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 1996, the City had cash and investments totaling \$3,390,652 as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Cash (demand deposits)	\$2,081,491	\$794,224	\$2,875,715
Investments (Certificates of deposit)	<u>675,186</u>	<u>-0-</u>	<u>675,186</u>
	\$2,756,677	\$794,224	\$3,550,901

CITY OF LEESVILLE
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NOTES TO FINANCIAL STATEMENTS

At year end, the carrying amount of the City's deposits were \$3,550,901, and bank balances were \$3,859,430. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$ 200,000
Uncollateralized (In accordance with GAAP - See below)	<u>3,659,430</u>
	\$3,859,430

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

The uncollateralized amount shown above is secured by pledged securities with a market value of \$4,082,920. Even though the pledged securities are considered uncollateralized under GAAP, Louisiana Revised Statutes impose a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

Receivables at June 30, 1996, consist of the following:

	GOVERNMENTAL FUND <u>TYPES</u>	PROPRIETARY FUND <u>TYPES</u>	<u>TOTALS</u>
Accounts			
Uncollected cycle billings	\$	\$157,338	\$157,338
Estimated billings between cycles		69,822	69,822
Taxes			
Franchise taxes	76,079		76,079
Intergovernmental			
Federal	284,540		284,540
State	36,449		36,449
Local	26,481		26,481
Interest	4,075	4,723	8,798
Other	<u>3,573</u>	<u>917</u>	<u>4,490</u>
Gross receivable	431,197	232,800	663,997
Allowance for uncollectible	<u>-0-</u>	<u>(9,652)</u>	<u>(9,652)</u>
Net receivable	\$431,197	\$223,148	\$654,345

CITY OF LEESVILLE
JUNE 30, 1996

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 of \$9,652 represents the projected uncollectible accounts at June 30, 1996.

4. DUE FROM/TO OTHER FUNDS

Amounts due from and to other funds at June 30, 1996, consist of the following:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund		
Sales Tax Fund	\$ 30,969	\$
Debt Service Funds	104	
Bond Construction Fund	193	
Airport Construction Fund		9,522
Sewer Enterprise Fund	2,668	
Water Enterprise Fund	103,968	
Special Revenue Funds		
Sales Tax Fund		
General Fund		30,969
Recreation Complex Fund		586
Bond Construction Fund		58,619
Water Enterprise Fund	95,000	
Recreation Complex Fund		
Sales Tax Fund	586	
Debt Service Funds		
General Fund		104
Capital Project Funds		
Bond Construction Fund		
General Fund		193
Sales Tax Fund	58,619	
Airport Construction Fund		
General Fund	9,522	
Enterprise Funds		
Sewer Enterprise Fund		
General Fund		2,668
Water Enterprise Fund	184,205	
Water Enterprise Fund		
General Fund		103,968
Sales Tax Fund		95,000
Sewer Enterprise Fund		<u>184,205</u>
	<u>\$485,834</u>	<u>\$485,834</u>

CITY OF LEESVILLE

JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

5. RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets, at June 30, 1996, consisted of cash in demand deposits in the following accounts:

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>
Revenue bond debt service account	\$ 52,950	\$119,973	\$172,923
Capital additions and contingencies account	49,910	80,531	130,441
General obligation bonds debt service account	311,999		311,999
Certificate of indebtedness debt service account		31,262	31,262
Customers' deposit account		<u>147,599</u>	<u>147,599</u>
	<u>\$414,859</u>	<u>\$379,365</u>	<u>\$794,224</u>

6. FIXED ASSETS

The following is a summary of changes in fixed assets during the fiscal year.

GENERAL FIXED ASSET ACCOUNT GROUP	<u>BALANCE</u> <u>7/1/95</u>	<u>ADDITIONS</u>	<u>COMPLETED</u> <u>CONSTRUCTION/</u> <u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/96</u>
Land	\$ 291,756	\$ 36,940	\$	\$ 328,696
Buildings	1,438,669	7,079	(227,800)	1,217,948
Other improvements	11,166,759	6,155	2,690,835	13,863,749
Equipment	2,152,251	247,974	(32,650)	2,367,575
Construction in progress	<u>2,250,009</u>	<u>2,933,870</u>	<u>(2,690,835)</u>	<u>2,493,044</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	<u>\$17,299,444</u>	<u>\$3,232,018</u>	<u>\$ (260,450)</u>	<u>\$20,271,012</u>
 PROPRIETARY FUNDS				
Sewer System				
Land	\$ 113,184	\$ 6,692	\$	\$ 119,876
Sewer disposal system	3,230,947	9,499		3,240,446
Equipment and vehicles	120,768	14,155		134,923
Construction in progress	<u>801,413</u>	<u>1,768,739</u>		<u>2,570,152</u>
Total Sewer System	4,266,312	1,799,085	-0-	6,065,397

CITY OF LEESVILLE
JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

	<u>BALANCE</u> <u>7/1/95</u>	<u>ADDITIONS</u>	<u>COMPLETED</u> <u>CONSTRUCTION/</u> <u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/96</u>
Water System				
Land	\$ 37,375	\$	\$	\$ 37,375
Plant and system	5,333,874			5,333,874
Equipment and vehicles	<u>190,399</u>	<u>43,615</u>		<u>234,014</u>
Total Water System	<u>5,561,648</u>	<u>43,615</u>	<u>-0-</u>	<u>5,605,263</u>
Total Proprietary Funds	\$ 9,827,960	\$1,842,700	\$ -0-	11,670,660
Accumulated Depreciation				<u>(3,107,951)</u>
<u>NET FIXED ASSETS - PROPRIETARY FUNDS</u>				<u>\$ 8,562,709</u>

In the enterprise funds, the following useful lives are used to compute depreciation using the straight-line method.

Production and distribution system	25-50 years
Buildings and improvements	10-25 years
Equipment	5-8 years
Vehicles	3-6 years

Depreciation expense recorded in the financial statements for the fiscal year ended June 30, 1996, amounted to \$92,408 for the Sewer Enterprise Fund and \$221,105 for the Water Enterprise Fund.

Significant construction projects are summarized below:

	<u>PROJECT</u> <u>AUTHORIZATION</u>	<u>EXPENDED</u> <u>TO DATE</u>	<u>COMMITMENT</u>	<u>REQUIRED</u> <u>FURTHER</u> <u>FINANCING</u>
Airport improvements -				
Phase II	\$ 499,060	\$ 432,388	\$ 66,672	(1)
North Industrial Park	5,364,000	2,029,894	324,778	(2)
Sewer plant improvements	5,625,000	2,570,152	2,480,413	(3)

- (1) Financing provided by federal and state grants.
- (2) Financing provided by federal and state grants, and the proceeds of the Certificates of Indebtedness, Series 1995.
- (3) Financing provided by ad valorem tax bonds - See Note 7.

CITY OF LEESVILLE
JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT AND CAPITALIZED LEASES

General Obligation Debts: General obligation 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 additions and to provide funds for major capital projects. During the year ended June 30, 1996, the City issued general obligation bonds for sewer improvements. In accordance with GAAP, these bonds are reported in the Sewer Enterprise Fund. The City has dedicated ad valorem tax collections for payment of these liabilities.

The City's obligation relative to the governmental funds' liability for compensated absences is reported as a general obligation debt.

The City has also issued two series of general obligation certificates of indebtedness. The certificates, which are being repaid from Water System revenues, are reported in the Water Enterprise Fund. The other certificates, which are being repaid from General Fund revenues, are reported in the General Long-Term Debt Account Group.

Revenue Bonds: 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 for the debt service. The second type is sales tax revenue bonds whereby the City has pledged revenue from specifically dedicated sales tax collections to pay debt service.

Long-term debt at June 30, 1996, consisted of the following:

	INTEREST RATES	<u>ENTERPRISE</u>	GENERAL LONG-TERM DEBT
General Obligation Debt			
General obligation bonds			
Civic Center Bonds (1972)	5.50%	\$	\$ 15,000
Water System Refunding			
Bonds (1991)	6.10-6.70%		920,000
Sewer System Improvements (1995)	2.95%	913,968	
Sewerage District No. 3 (1995)	2.95%	913,968	
Certificates of Indebtedness			
Water System Improvements (1994)	4.50%	1,195,000	
Economic Development (1995)	6.00%		650,000
Capitalized leases			
Police radios	8.56%		1,456
Police cars	7.25%		37,808
Equipment	4.50%	2,670	

CITY OF LEESVILLE
JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

	INTEREST RATES	<u>ENTERPRISE</u>	GENERAL LONG-TERM DEBT
Compensated absences			119,674
Revenue Bonds			
Sales tax revenue bonds			
Streets, drainage, and sewer improvements (1994)	5.40-5.45%		2,590,000
Sewer revenue bond			
Improvements (1972)	5.90%	50,000	
Water revenue bonds			
Improvements (1989)	11.00%	<u>996,650</u>	
		\$4,072,256	<u>\$4,333,938</u>

The annual requirements to amortize all debts outstanding as of June 30, 1996, other than compensated absences, including interest of \$2,487,784 are as follows:

YEAR ENDING JUNE 30,	<u>ENTERPRISE</u>	GENERAL LONG-TERM <u>DEBT</u>	<u>TOTAL</u>
1997	\$ 673,740	\$ 615,306	\$ 1,289,046
1998	620,392	607,624	1,228,016
1999	627,970	607,952	1,235,922
2000	629,441	597,008	1,226,449
2001	620,288	596,663	1,216,951
2002-2008	<u>2,141,774</u>	<u>2,436,146</u>	<u>4,577,920</u>
	\$5,313,605	\$5,460,699	\$10,774,304

Total interest and fiscal charges incurred by governmental funds on general long-term debt amounted to \$255,845, for the current period. Total interest and fiscal charges incurred by proprietary funds amounted to \$188,570 including capitalized interest of \$5,189.

During the year ended June 30, 1996, the following changes occurred in long-term liabilities:

	BALANCE 7/1/95	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	BALANCE 6/30/96
General Long-Term Debt Account Group				
General obligation bonds	\$1,045,000	\$	\$(110,000)	\$ 935,000
Certificates of indebtedness		700,000	(50,000)	650,000
Capitalized leases	20,608	39,800	(21,144)	39,264
Compensated absences	108,950	10,724		119,674
Sales tax revenue bonds	<u>2,760,000</u>		<u>(170,000)</u>	<u>2,590,000</u>
Totals	\$3,934,558	\$750,524	\$(351,144)	\$4,333,938

CITY OF LEESVILLE

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NOTES TO FINANCIAL STATEMENTS

	<u>BALANCE</u> <u>7/1/95</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>6/30/96</u>
Enterprise Fund Debt				
General obligation bonds	\$	\$1,827,936	\$	\$1,827,936
Certificates of indebtedness	1,365,000		(170,000)	1,195,000
Capitalized leases		7,891	(5,221)	2,670
Sewer revenue bonds	95,000		(45,000)	50,000
Water revenue bonds	<u>1,039,070</u>		<u>(42,420)</u>	<u>996,650</u>
Totals	\$2,499,070	\$1,835,827	\$(262,641)	\$4,072,256

A summary, as of June 30, 1996, of the general obligation bonds approved for sewer improvements is presented below. These bonds are being issued as needed to fund the construction of the new sewerage treatment plant. The City has dedicated ad valorem tax revenues for payment of these liabilities.

	<u>AUTHORIZED</u>	<u>ISSUED</u>	<u>UNISSUED</u>
City of Leesville, General Obligation Bonds, Series 1995	\$2,355,000	\$ 913,968	\$1,441,032
City of Leesville, Sewer District No. 3, General Obligation Bonds, Series 1995	<u>2,355,000</u>	<u>913,968</u>	<u>1,441,032</u>
	\$4,710,000	\$1,827,936	\$2,882,064

Sewer System Revenue Bonds: The material provisions of sewer system revenue bond covenants are as follows:

1. The City will establish a rate structure sufficient to pay the necessary operating expenses, and principal and interest on the bonds. Revenues after paying operating expenses must be at least 130% of the largest amount of principal and interest maturing in any future fiscal year.
2. The City will transfer monthly to a debt service sinking fund one-sixth (1/6) of the next interest payment due and one-twelfth (1/12) of the next principal payment due.
3. The City will establish a reserve fund equal to the maximum future principal and interest due in any future fiscal year. Monies in this fund may be used for principal and interest payments if necessary.

CITY OF LEESVILLE

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NOTES TO FINANCIAL STATEMENTS

4. The City will establish and maintain a capital additions and contingencies fund. Each month, five percent of sewer fund revenues collected during the previous month will be transferred to this fund, provided that such sum is available after payment of normal operating expenses and making the required sinking and reserve fund contributions. Monies in this fund may be used for extensions, additions, improvements, renewals, and replacements necessary to operate the system, and for debt service payments, if necessary. A minimum balance of \$5,000 is required.

5. The City may not create debt having priority over these bonds.

Water System Revenue Bonds: The material provisions of water system revenue bond covenants are as follows:

1. The City will establish a rate structure sufficient to pay the necessary operating expenses, and principal and interest on the bonds. Revenues after paying operating expenses must be at least 120% of the largest amount of principal and interest maturing in any future fiscal year.

2. The City will transfer monthly to a debt service sinking fund one-sixth (1/6) of the next interest payment due and one-twelfth (1/12) of the next principal payment due.

3. The City will transfer monthly to a reserve fund an amount equal to five percent of the amount transferred to the sinking fund until such time as there has been accumulated an amount equal to the highest combined principal and interest due in any future bond year. Monies in this fund may be used for principal and interest payments if necessary.

4. The City will transfer monthly to a contingency fund an amount equal to five percent of the amount transferred to the sinking fund. Monies in this fund may be used for extensions, additions, improvements and replacements, and to pay principal and interest if funds are not otherwise available.

5. The City may not create debt having priority over these bonds.

Certificates of Indebtedness, Series 1994: The agreement requires that the City transfer monthly to a debt service sinking fund one-sixth (1/6) of the next interest payment due and one-twelfth (1/12) of the next principal payment due.

CITY OF LEESVILLE

JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

Violation of the Certificates of Indebtedness, Series 1994 Agreement: Transfers were not made to the sinking fund as required by the agreement. A deficit of \$69,602 existed in the sinking fund at year end. This deficit was funded subsequent to year end by a lump-sum transfer.

Sales Tax Revenue Bonds: The material provisions of sales tax revenue bond covenants are as follows:

1. The bonds and interest thereon are payable from the pledge and dedication of the City's sales tax.
2. The City will transfer monthly to a debt service sinking fund one-sixth (1/6) of the next interest payment due and one-twelfth (1/12) of the next principal payment due.
3. The City will establish a reserve fund in the amount of \$305,000. Monies in this fund may be used for principal and interest payments if necessary.
4. Parity bonds may be issued if certain conditions are met.

Violation of Sales Tax Revenue Bond Covenants: Transfers were not made each month to the sinking fund as required by the covenants. Deficits existed in the sinking fund at various times during the year. These were funded by periodic lump-sum transfers. There was no deficit in the sinking fund at year end.

8. CONTRIBUTED CAPITAL

The following changes occurred in contributed capital during the year ended June 30, 1996:

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>
Balance, beginning of year	\$2,695,682	\$1,658,068	\$4,353,750
Additions			
Equipment transferred from General Fixed Assets Account Group	_____	15,430	15,430
Balance, end of year	\$2,695,682	\$1,673,498	\$4,369,180

CITY OF LEESVILLE

JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

9. RESERVED RETAINED EARNINGS

At June 30, 1996, reserved retained earnings consisted of the following:

	<u>SEWER SYSTEM</u>	<u>WATER SYSTEM</u>	<u>INTERNAL SERVICE</u>	<u>TOTAL</u>
Reserved for				
General obligation bond				
debt service	\$116,462	\$	\$	\$116,462
Revenue bond debt service	1,967	43,375		45,342
Capital additions and				
contingencies	49,910	80,531		130,441
Employee benefits			154,091	154,091
	<u>\$168,339</u>	<u>\$123,906</u>	<u>\$154,091</u>	<u>\$446,336</u>

10. RESERVED FUND BALANCES

At June 30, 1996, reserved fund balances consisted of the following:

	<u>E911 COMMUNICATIONS DISTRICT</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
Reserved for				
E911 Communications				
District	\$146,539	\$	\$	\$ 146,539
Economic Development		396,761		396,761
Debt service			623,186	623,186
	<u>\$146,539</u>	<u>\$396,761</u>	<u>\$623,186</u>	<u>\$1,166,486</u>

11. DESIGNATED FUND BALANCE

At June 30, 1996, unreserved fund balance in the amount of \$222,610 was designated for construction in the Industrial Park Infrastructure Construction Fund.

12. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City normally on November 15 and are due on December 1. Billed taxes become delinquent on January 1 of the following year. Revenue 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 Vernon Parish.

CITY OF LEESVILLE

JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 1996, taxes of 22.6 mills were levied on property with assessed values totaling \$24,547,955, and were dedicated as follows:

General maintenance purposes	5.3 mills
Debt service	17.3 mills

Total taxes levied were \$554,808. All taxes were paid prior to the end of the current fiscal year; therefore, no allowance for doubtful accounts is provided.

13. ENTERPRISE FUNDS - OPERATIONS

The City operates two enterprise funds which provide sewer and water services to the residents of the City and certain adjacent areas. The following is a condensed summary of operations and other information for these funds.

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>
Operating revenues	\$ 443,094	\$1,158,975	\$ 1,602,069
Operating expenses			
Depreciation	(92,408)	(221,105)	(313,513)
Other	<u>(176,174)</u>	<u>(429,323)</u>	<u>(605,497)</u>
Operating income	174,512	508,547	683,059
Nonoperating revenues (expenses)			
Ad valorem taxes	314,756		314,756
Interest revenue	5,131	21,705	26,836
Interest and fiscal charges	(5,105)	(178,276)	(183,381)
Operating transfers out - General Fund		<u>(500,000)</u>	<u>(500,000)</u>
Net income (loss)	\$ 489,294	\$ (148,024)	\$ 341,270
Other information			
Current capital contributions	\$ -0-	\$ 15,430	\$ 15,430
Net working capital	353,363	32,051	385,414
Total assets	5,632,716	4,758,772	10,391,488
Revenue bonds payable	50,000	996,650	1,046,650
General obligation bonds payable	1,827,936		1,827,936
Certificates of indebtedness payable		1,195,000	1,195,000
Total equity	3,723,593	1,968,894	5,692,487

14. EMPLOYEE BENEFITS INSURANCE

During a prior fiscal year, the City established a trust to finance employee hospitalization/health insurance and certain employee life insurance. Resources accumulated for health coverage in the trust are accounted for in the Employee Benefits Insurance Fund (an internal service fund). Under this program, the

CITY OF LEESVILLE
JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

Employee Benefits Insurance Fund normally provides coverage for a maximum of \$15,000 for each covered employee's (and dependent's, if applicable) qualifying health claims. The Fund's normal aggregate retained loss per plan year is \$2,000,000. The Employee Benefits Insurance Fund purchased commercial insurance for health claims in excess of coverage provided and for certain employee life insurance. Under the terms of the trust agreement, the net assets of the Fund, \$154,091, at June 30, 1996, may only be used to provide employee benefits.

All funds of the City and covered employees participate in the program and make payments to the Employee Benefits Insurance Fund. The claims liability of \$8,267 reported in the Fund at June 30, 1996, is based upon GAAP, 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 June 30, 1996, were as follows:

Balance, beginning of year	\$ 34,833
Current year claims	142,365
Claim payments	<u>(168,931)</u>
Balance, end of year	\$ 8,267

15. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City carries commercial insurance or participates in a statewide public entity risk pool as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

	<u>LIMITS OF COVERAGE</u>
Public entity risk pool	
Workmen's compensation	Statutory
Auto liability	\$ 500,000
Commercial general liability	500,000
Law enforcement officers' liability (deductible \$5,000)	500,000
Public officials' errors and omissions (deductible \$5,000)	500,000
Commercial insurance	
City-owned buildings and equipment - fire, lightning, and extended coverage	1,452,443

CITY OF LEESVILLE
JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

The City pays an annual premium to the public entity risk pool. The risk pool is self-sustaining through member premiums.

The City covers all other losses, claim settlements, and judgments from General Fund resources. The City currently reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The City is party to legal proceedings involving suits filed against the City for various reasons. Some of these suits claim damages that are material in amount. The amount of losses, if any, that may arise from these suits can not be reasonably estimated. Management does not believe that the City is exposed to any material losses not covered by insurance. No provision for losses is included in the financial statements.

16. COMPENSATION PAID TO MAYOR AND CITY COUNCIL

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following reflects compensation paid to the Mayor and members of the City Council of the City of Leesville, Louisiana, for the fiscal year ending June 30, 1996.

Mayor James S. Shapkoff, Jr.	\$12,000
Council Members	
William M. Elliott	4,550
Jerry L. Jeane	4,725
Marshal J. Patton	4,550
Rickey O. Stevens	4,025
Alice F. Upshaw	4,375
Rodney G. Wells	4,550

17. PUBLIC EMPLOYEES' RETIREMENT SYSTEMS

A. Plan Descriptions

The City contributes to three statewide multiple-employer public employee retirement systems. These consist of the Municipal Police Employees' Retirement System of Louisiana (MPERS), the Firefighters' Retirement System (FRS), and the Louisiana State Employees' Retirement System (LSERS).

CITY OF LEESVILLE
JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

The amount of the City's current year covered payroll, excluding supplemental pay, and the City's total current year payroll for all employees, excluding supplemental pay, is summarized below:

Covered Payroll	
MPERS	\$ 339,447
FRS	180,456
LSERS	3,600
Total payroll - all employees	1,674,954

The following is a brief description of the plans.

MPERS. 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 he has been a member of the System for one (1) year, if he has twenty-five (25) years of creditable service at any age, or if he 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 (3 1/3%) of final compensation per number of years of creditable service not to exceed one hundred percent (100%).

Members are currently required to contribute seven and one-half percent (7 1/2%) of their salary to the system, including supplemental pay. The City's contribution is presently at nine percent (9%).

Benefit and contribution requirements are established by state law.

FRS. 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 (3 1/3%) 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 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.

Members are currently required to contribute eight percent (8%) of their salary, including supplemental pay to the Plan. The City's contribution is presently at nine percent (9%) of the member's salary, including supplemental pay.

CITY OF LEESVILLE

JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

Benefit and contribution requirements are established by state law.

LSERS. 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 of Leesville 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 (2 1/2%) 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 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.

Judges, court officers, and legislators contribute eleven and one-half percent (11 1/2%) of their salary to the System. The City's contribution is presently at twelve percent (12%) of the member's earned compensation.

Benefit and contribution requirements are established by state law.

B. Funding Status and Progress

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the plans' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee

CITY OF LEESVILLE

JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

retirement systems. The measure is independent of the funding method used to determine contributions to the plans discussed below.

The pension benefit obligation and certain other relevant information for the three multiple-employer public employee retirement systems to which the City contributes are presented below.

	(In Millions)		
	<u>MPERS</u>	<u>FRS</u>	<u>LSERS</u>
Date of Actuarial Valuation	6/30/95	6/30/94	6/30/95
Pension benefit obligation	\$737	\$295	\$5,697
Net assets available for benefits	<u>756</u>	<u>297</u>	<u>3,590</u>
Unfunded (Excess) pension benefit obligation	\$(19)	\$ (2)	\$2,107
<u>City of Leesville</u>	(In Dollars)		
	<u>MPERS</u>	<u>FRS</u>	<u>LSERS</u>
Employee contributions made	\$29,263	\$16,738	\$ 414
Employee contributions as a percentage of covered payroll	7.5%	8%	11.5%
Employer contributions made	35,113	18,830	432
Employer contributions as a percentage of covered payroll	9%	9%	12%
Employer's actuarially determined contribution requirement expressed as a percentage of total actuarially determined contribution requirements for all employers	*	*	*

*Amount is less than one percent.

C. Ten Year Historical Trend Information

Ten year historical trend information provides information about a public employee retirement system's progress in accumulating sufficient assets to pay benefits when due. This information, if available, may be found in the separately issued annual financial reports of the various multiple employer public employee retirement systems discussed in this note.

18. DEFINED CONTRIBUTION PLAN

The City sponsors a defined contribution plan (the Plan) available to all full-time employees who elect to participate. The Plan is administered by Inter-Securities, Inc. The City will contribute 9% of the participant's regular earnings, including supplemental pay, if applicable, if the employee contributes

CITY OF LEESVILLE
JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

\$25 (the monthly minimum) or more a month. The City's payroll for employees participating in the Plan for the current year was \$328,033, including supplemental pay. The total payroll for all employees was \$1,674,954.

The contribution requirements and actual contributions are as follows:

	<u>EMPLOYEE</u>	<u>EMPLOYER</u>
Contributions required	\$ 5,300	\$29,523
Contributions made	10,284	29,523
Contributions as a percentage of covered payroll	3%	9%

All monies in the employees' accounts, including the City's contributions, are immediately vested.

19. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following individual governmental funds had expenditures, including transfers out, exceeding appropriations as approved in the budget:

	<u>EXPENDITURES</u>	<u>APPROPRIATIONS</u>	<u>EXCESS</u>
General Fund	\$2,322,573	\$2,121,150	\$201,423
Special Revenue Funds			
Sales Tax Fund	1,442,037	1,342,795	99,242
E911 Communications District Fund	351,282	323,130	28,152

20. LEGAL COMPLIANCE

The following violations of state statutes occurred during the fiscal year:

- (1) Complete records, as required by Louisiana Revised Statutes for fixed assets for which the City is accountable, are not maintained.
- (2) Actual expenditures exceeded budgeted expenditures by five percent (5%) or more in the following funds and budget amendments were not made for these variances.

General Fund
Sales Tax Fund
E911 Communications District Fund

CITY OF LEESVILLE
JUNE 30, 1996

NOTES TO FINANCIAL STATEMENTS

21. ENVIRONMENTAL PROTECTION AGENCY ADMINISTRATIVE ORDER

An Environmental Protection Agency (EPA) investigation determined that the City cannot comply with effluent limitations using the existing treatment works. The City is under an EPA administrative order to complete the following activities:

- (1) Study all feasible treatment alternatives (technology and costs) necessary to achieve compliance with the existing effluent limitations. The City is required to submit a summary of this study to the EPA.
- (2) Select the appropriate treatment alternative to achieve compliance with existing effluent limitations. The City is required to submit to the EPA an engineering summary of the particular treatment alternative selected.
- (3) Submit to the EPA a financial analysis which details the financing mechanisms to be employed in financing the project.
- (4) Submit to the EPA a critical path schedule to attain compliance with existing effluent limitations.

At June 30, 1996, construction was in progress on the new sewerage treatment plant designed to comply with EPA requirements.

COMBINING, INDIVIDUAL FUND, AND ACCOUNT
GROUP FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

This is the general operating fund of the City and is used to account for operations traditionally associated with a city which are not required to be accounted for in another fund.

CITY OF LEESVILLE, LOUISIANA
GENERAL FUND
BALANCE SHEET
JUNE 30, 1996

EXHIBIT F-1

ASSETS		
Cash		\$234,422
Investments		204,511
Receivables		
Taxes		76,079
Intergovernmental		39,360
Interest		2,421
Other		3,573
Due from other funds		
Sales Tax Fund		30,969
Debt Service Funds		104
Bond Construction Fund		193
Sewer Enterprise Fund		2,668
Water Enterprise Fund		103,968
Inventory		<u>35,335</u>
<u>TOTAL ASSETS</u>		<u>\$733,603</u>

LIABILITIES AND FUND BALANCE

LIABILITIES		
Accounts and contracts payable		\$102,131
Other current liabilities		5,096
Due to other funds		
Airport Construction Fund		<u>9,522</u>
Total Liabilities		116,749
FUND BALANCE		
Unreserved - undesignated		<u>616,854</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>		<u>\$733,603</u>

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

CITY OF LEESVILLE, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1996

EXHIBIT F-2

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes	\$ 333,650	\$ 409,045	\$ 75,395
Licenses and permits	279,250	276,077	(3,173)
Charges for services	34,150	34,569	419
Intergovernmental	219,975	247,627	27,652
Fines and forfeitures	135,000	130,669	(4,331)
Interest	18,000	15,168	(2,832)
Other	<u>79,550</u>	<u>41,612</u>	<u>(37,938)</u>
Total Revenues	1,099,575	1,154,767	55,192
EXPENDITURES			
Current			
General government	503,435	442,509	60,926
Public safety	947,700	1,002,260	(54,560)
Public works	430,350	464,240	(33,890)
Economic development	48,600	53,307	(4,707)
Debt service		9,904	(9,904)
Capital outlay	<u>82,065</u>	<u>93,294</u>	<u>(11,229)</u>
Total Expenditures	2,012,150	2,065,514	(53,364)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(912,575)	(910,747)	1,828
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)			
Sales Tax Fund	250,000	250,000	-0-
Water Enterprise Fund	500,000	500,000	-0-
Debt Service Funds	(109,000)	(109,000)	-0-
Airport Construction Fund		(9,520)	(9,520)
Industrial Park Buildings Construction Fund	<u> </u>	<u>(138,539)</u>	<u>(138,539)</u>
Total Other Financing Sources (Uses)	<u>641,000</u>	<u>492,941</u>	<u>(148,059)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(271,575)	(417,806)	(146,231)
FUND BALANCE, BEGINNING OF YEAR	<u>1,034,660</u>	<u>1,034,660</u>	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 763,085</u>	<u>\$ 616,854</u>	<u>\$(146,231)</u>

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

CITY OF LEESVILLE, LOUISIANA
 GENERAL FUND
 STATEMENT OF REVENUES - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 1996

EXHIBIT F-3

REVENUES	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Taxes			
Ad valorem	\$ 129,000	\$ 128,509	\$ (491)
Franchise	175,000	250,974	75,974
Other	<u>29,650</u>	<u>29,562</u>	<u>(88)</u>
Totals	333,650	409,045	75,395
Licenses and permits			
Occupational licenses	250,000	248,327	(1,673)
Beer and liquor permits	18,000	17,161	(839)
Building permits	8,000	7,463	(537)
Other licenses and permits	<u>3,250</u>	<u>3,126</u>	<u>(124)</u>
Totals	279,250	276,077	(3,173)
Charges for Services			
Animal shelter	3,850	3,849	(1)
Inspection fees	11,100	11,506	406
Police department fees	<u>19,200</u>	<u>19,214</u>	<u>14</u>
Totals	34,150	34,569	419
Intergovernmental			
Federal			
Law enforcement	3,000	10,414	7,414
State			
Video poker	76,675	85,218	8,543
Tobacco tax	30,000	38,797	8,797
Beer tax	25,300	25,313	13
Fire insurance rebate	25,750	25,758	8
Highway maintenance	10,350	10,350	-0-
DARE	42,000	43,698	1,698
Other	<u>6,900</u>	<u>8,079</u>	<u>1,179</u>
Totals	219,975	247,627	27,652
Fines and forfeitures			
City court	135,000	130,669	(4,331)
Interest	18,000	15,168	(2,832)
Other			
Miscellaneous	<u>79,550</u>	<u>41,612</u>	<u>(37,938)</u>
<u>TOTAL REVENUES</u>	<u>\$1,099,575</u>	<u>\$1,154,767</u>	<u>\$ 55,192</u>

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

CITY OF LEESVILLE, LOUISIANA
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1996

EXHIBIT F-4
(Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
CURRENT			
General Government			
Executive Department			
Salaries	\$38,775	\$38,775	\$ -0-
Payroll taxes	2,900	2,967	(67)
Insurance	270	6,355	(6,085)
Travel	3,500	3,535	(35)
Public relations	1,500	1,512	(12)
Telephone and utilities	2,600	2,391	209
Other	3,200	3,184	16
Totals	<u>52,745</u>	<u>58,719</u>	<u>(5,974)</u>
Finance Department			
Salaries	20,500	20,537	(37)
Payroll taxes	1,565	1,578	(13)
Retirement	75	75	-0-
Insurance	4,885	4,888	(3)
Telephone and utilities	2,000	2,133	(133)
Other	300	281	19
Totals	<u>29,325</u>	<u>29,492</u>	<u>(167)</u>
Administrative Department			
Salaries	44,815	45,592	(777)
Payroll taxes	3,825	3,921	(96)
Retirement	3,400	3,443	(43)
Insurance	14,685	14,795	(110)
Travel	4,600	3,938	662
Office supplies and expenses	1,500	1,493	7
Telephone and utilities	1,000	1,128	(128)
Repairs and maintenance	1,000	844	156
Other	1,800	2,063	(263)
Totals	<u>76,625</u>	<u>77,217</u>	<u>(592)</u>
Legal Department			
Salaries	26,200	26,200	-0-
Payroll taxes	2,075	2,088	(13)
Other	9,310	10,652	(1,342)
Totals	<u>37,585</u>	<u>38,940</u>	<u>(1,355)</u>
Building Inspection Department			
Salaries	12,960	12,845	115
Payroll taxes	1,050	1,028	22
Insurance	1,400	1,553	(153)
Other	1,900	1,856	44
Totals	<u>17,310</u>	<u>17,282</u>	<u>28</u>

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

CITY OF LEESVILLE, LOUISIANA
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1996

EXHIBIT F-4
(Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Purchasing Department			
Salaries	\$ 19,550	\$ 19,546	\$ 4
Payroll taxes	1,600	1,575	25
Retirement	1,015	1,015	-0-
Insurance	4,795	4,807	(12)
Telephone and utilities	5,400	5,631	(231)
Office supplies and expenses	1,300	1,398	(98)
Other	255	255	-0-
Totals	<u>33,915</u>	<u>34,227</u>	<u>(312)</u>
General Expenses			
Liability insurance	122,000	32,945	89,055
Claims and judgements		10,000	(10,000)
Uniforms	5,000	5,534	(534)
Office supplies and expenses	2,500	3,622	(1,122)
Publishing	6,900	7,844	(944)
Dues	2,600	2,554	46
Mayor's Women's Commission	3,700	3,680	20
Operating supplies	13,000	14,046	(1,046)
Building maintenance	43,750	48,679	(4,929)
Computer and software maintenance	16,200	16,186	14
Equipment maintenance	3,200	3,147	53
Court costs and filing fees	1,000	1,096	(96)
Professional services	15,800	15,799	1
LMA convention expenses	3,000	3,343	(343)
Garbage service	2,300	2,488	(188)
Other	14,980	15,669	(689)
Totals	<u>255,930</u>	<u>186,632</u>	<u>69,298</u>
Total General Government	503,435	442,509	60,926
Public Safety			
Police Department			
Salaries	538,115	545,055	(6,940)
Payroll taxes	47,200	47,664	(464)
Retirement	44,000	42,740	1,260
Insurance	132,500	173,863	(41,363)
Travel	2,825	3,283	(458)
Training	9,200	10,406	(1,206)
Uniforms	8,400	8,896	(496)
Office supplies and expenses	3,200	5,498	(2,298)
Telephone and utilities	14,700	16,199	(1,499)
Dues	7,500	7,606	(106)
Operating supplies	17,000	18,497	(1,497)
Gas and oil	17,500	20,283	(2,783)
Repairs and maintenance	26,200	20,781	5,419
Prisoner expenses	31,000	31,207	(207)
DARE program	3,600	3,687	(87)
Other	7,200	8,141	(941)
Totals	<u>910,140</u>	<u>963,806</u>	<u>(53,666)</u>

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

CITY OF LEESVILLE, LOUISIANA
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1996

EXHIBIT F-4
(Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Animal Shelter			
Salaries	\$ 30,125	\$ 30,156	\$ (31)
Payroll taxes	2,400	2,420	(20)
Insurance	800	846	(46)
Supplies	750	1,531	(781)
Veterinarian expenses	2,700	2,825	(125)
Other	785	676	109
Totals	<u>37,560</u>	<u>38,454</u>	<u>(894)</u>
Total Public Safety	947,700	1,002,260	(54,560)
Public Works			
Salaries	186,850	187,621	(771)
Payroll taxes	14,750	15,014	(264)
Retirement	3,700	3,686	14
Insurance	52,000	63,750	(11,750)
Telephone and utilities	66,300	72,425	(6,125)
Supplies	35,300	43,160	(7,860)
Gas and oil	13,000	13,788	(788)
Repairs and maintenance	43,000	47,491	(4,491)
Beautification	12,600	14,156	(1,556)
Other	2,850	3,149	(299)
Total Public Works	<u>430,350</u>	<u>464,240</u>	<u>(33,890)</u>
Economic Development			
Airport			
Management fees	7,400	6,600	800
Insurance		2,665	(2,665)
Utilities	8,600	9,297	(697)
Supplies	2,500	4,161	(1,661)
Repairs and maintenance	3,300	2,740	560
Other	1,000	930	70
Totals	<u>22,800</u>	<u>26,393</u>	<u>(3,593)</u>
Other Economic Development Programs			
Technical assistance	9,500	9,500	-0-
Economic development office expenses	16,300	17,414	(1,114)
Totals	<u>25,800</u>	<u>26,914</u>	<u>(1,114)</u>
Total Economic Development	48,600	53,307	(4,707)
DEBT SERVICE			
Principal		8,828	(8,828)
Interest		1,076	(1,076)
Total Debt Service	<u>-0-</u>	<u>9,904</u>	<u>(9,904)</u>

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

CITY OF LEESVILLE, LOUISIANA
 GENERAL FUND
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 1996

EXHIBIT F-4
 (Concluded)

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
CAPITAL OUTLAY			
General government	\$ 37,065	\$ 38,497	\$ (1,432)
Police	15,000	18,014	(3,014)
Public works	30,000	36,783	(6,783)
Total Capital Outlay	<u>82,065</u>	<u>93,294</u>	<u>(11,229)</u>
<u>TOTAL EXPENDITURES</u>	<u>\$2,012,150</u>	<u>\$2,065,514</u>	<u>\$ (53,364)</u>

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

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

SALES TAX FUND is used to account for revenues generated by the one cent sales and use tax. Proceeds are dedicated as follows: debt service of sales tax bonds; operations of public works; operations of sewer system; operations of fire department; and operations of recreation department.

HUD VOUCHER PROGRAM FUND is used to account for revenues received from a Federal rental subsidy program. This program is to provide lower-income families with decent, safe and affordable housing through the use of housing assistance payments.

ECONOMIC DEVELOPMENT FUND is used to account for monies available for economic development purposes.

RECREATION COMPLEX FUND is used to account for operations of the ballfield recreation complex. Funding is provided by user fees and operating transfers from the Sales Tax Fund.

E911 COMMUNICATIONS DISTRICT FUND is used to account for the intergovernmental agreement with the Vernon Parish Police Jury and the Vernon Parish Communications District for the operation of the Vernon Parish enhanced 911 emergency system. Funding is provided by a surcharge per phone collected by South Central Bell.

CITY OF LEESVILLE, LOUISIANA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1996

EXHIBIT G-1

ASSETS	SALES TAX	HUD VOUCHER PROGRAM	ECONOMIC DEVELOPMENT	RECREATION COMPLEX	E911 COMMUNICATIONS DISTRICT	TOTAL
Cash	\$ 27,659	\$160,249	\$396,761	\$	\$149,713	\$734,382
Investments	18,868					18,868
Receivables						
Intergovernmental						
Due from other funds					17,978	17,978
Sales Tax Fund	95,000			586		586
Water Enterprise Fund						95,000
Inventory				3,105		3,105
<u>TOTAL ASSETS</u>	<u>\$141,527</u>	<u>\$160,249</u>	<u>\$396,761</u>	<u>\$3,691</u>	<u>\$167,691</u>	<u>\$869,919</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 18,300	\$	\$	\$3,691	\$ 21,152	\$ 43,143
Accrued expenses	7,175					7,175
Due to other funds						
General Fund	30,969					30,969
Recreation Complex Fund	586					586
Bond Construction Fund	58,619					58,619
Due to other governments		110,008				110,008
Total Liabilities	<u>115,649</u>	<u>110,008</u>	<u>-0-</u>	<u>3,691</u>	<u>21,152</u>	<u>250,500</u>
FUND BALANCES						
Reserved for						
Economic development			396,761			396,761
E911 communications district					146,539	146,539
Unreserved - undesignated	25,878	50,241				76,119
Total Fund Balances	<u>25,878</u>	<u>50,241</u>	<u>396,761</u>	<u>-0-</u>	<u>146,539</u>	<u>619,419</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$141,527</u>	<u>\$160,249</u>	<u>\$396,761</u>	<u>\$3,691</u>	<u>\$167,691</u>	<u>\$869,919</u>

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

CITY OF LEESVILLE, LOUISIANA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1996

EXHIBIT G-2

REVENUES	SALES TAX	HUD VOUCHER PROGRAM	ECONOMIC DEVELOPMENT	RECREATION COMPLEX	E911 COMMUNICATIONS DISTRICT	TOTAL
Taxes	\$1,223,266	\$ 139,793	\$ 8,771	\$ 15,260	\$ 305,533	\$1,223,266
Intergovernmental	112,130				183,400	445,326
Charges for services	775				3,212	310,790
Interest				12,255	5,676	12,758
Other			8,771	27,515	497,821	17,931
Total Revenues	<u>1,336,171</u>	<u>139,793</u>	<u>8,771</u>			<u>2,010,071</u>
EXPENDITURES						
Current						
General government	105,920					105,920
Public safety	414,266					667,115
Culture and recreation	245,984			35,128	252,849	281,112
Special programs						128,044
Capital outlay	29,996					160,805
Total Expenditures	<u>796,166</u>		<u>-0-</u>	<u>32,376</u>	<u>98,433</u>	<u>1,342,996</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	540,005	11,749	8,771	(39,989)	146,539	667,075
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)						
General Fund						
Special Revenue Funds	(250,000)					(250,000)
Debt Service Funds	(39,989)					(39,989)
Capital Projects Funds	(328,000)					(328,000)
Total Other Financing (Uses)	<u>(645,871)</u>	<u>-0-</u>	<u>-0-</u>	<u>39,989</u>	<u>-0-</u>	<u>(605,882)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(105,866)	11,749	8,771	-0-	146,539	61,193
FUND BALANCES, BEGINNING OF YEAR	<u>131,744</u>	<u>38,492</u>	<u>387,990</u>	<u>-0-</u>	<u>-0-</u>	<u>558,226</u>
FUND BALANCES, END OF YEAR	<u>\$ 25,878</u>	<u>\$ 50,241</u>	<u>\$396,761</u>	<u>\$ -0-</u>	<u>\$146,539</u>	<u>\$ 619,419</u>

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

CITY OF LEESVILLE, LOUISIANA
 SALES TAX FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 1996

EXHIBIT G-3
 (Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Sales tax	\$1,200,000	\$1,223,266	\$ 23,266
Charges for services			
Recreation	115,000	112,130	(2,870)
Interest	750	775	25
Other	1,200		(1,200)
Total Revenues	1,316,950	1,336,171	19,221
EXPENDITURES			
Current			
General government			
Salaries	79,000	79,005	(5)
Payroll taxes	6,200	6,177	23
Retirement	1,960	1,954	6
Insurance	11,600	11,893	(293)
Travel	900	898	2
Telephone	750	634	116
Professional fees	4,200	4,183	17
Other	1,050	1,176	(126)
Total General Government	105,660	105,920	(260)
Public safety-Fire Department			
Salaries	242,925	245,252	(2,327)
Payroll taxes	21,100	21,150	(50)
Retirement	22,000	21,033	967
Insurance	79,200	89,032	(9,832)
Training	4,750	5,224	(474)
Uniforms	3,060	3,056	4
Telephone	2,500	2,470	30
Utilities	7,500	6,372	1,128
Supplies	4,200	5,278	(1,078)
Gas and oil	3,000	2,830	170
Repairs and maintenance	10,600	10,953	(353)
Other	1,400	1,616	(216)
Total Public Safety	402,235	414,266	(12,031)
Culture and recreation			
Recreation (Continued)			
Salaries	89,200	89,036	164
Payroll taxes	7,000	7,176	(176)
Retirement	1,020	1,017	3
Insurance	6,790	14,056	(7,266)
Telephone	2,000	2,076	(76)
Utilities	10,000	11,180	(1,180)
Supplies	20,500	21,797	(1,297)
Gas and oil	3,000	2,809	191
Repairs and maintenance	23,000	23,170	(170)

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

CITY OF LEESVILLE, LOUISIANA
SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1996

EXHIBIT G-3
(Concluded)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Recreation (Concluded)			
Items purchased for resale	\$ 7,000	\$ 7,061	\$ (61)
Garbage service	3,700	4,002	(302)
Other	100	86	14
Total Recreation	<u>173,310</u>	<u>183,466</u>	<u>(10,156)</u>
Neighborhood Center			
Salaries	42,000	41,462	538
Payroll taxes	3,300	3,346	(46)
Retirement	865	863	2
Insurance	3,325	3,719	(394)
Telephone and utilities	5,000	5,383	(383)
Supplies	4,000	5,302	(1,302)
Repairs and maintenance	2,500	2,207	293
Other	300	236	64
Total Neighborhood Center	<u>61,290</u>	<u>62,518</u>	<u>(1,228)</u>
Total Culture and Recreation	<u>234,600</u>	<u>245,984</u>	<u>(11,384)</u>
Capital Outlay			
Fire Department	3,300	7,667	(4,367)
Recreation	18,000	17,637	363
Neighborhood Center	1,000	4,692	(3,692)
Total Capital Outlay	<u>22,300</u>	<u>29,996</u>	<u>(7,696)</u>
Total Expenditures	<u>764,795</u>	<u>796,166</u>	<u>(31,371)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	552,155	540,005	(12,150)
OTHER FINANCING USES			
Operating transfers out			
General Fund	(250,000)	(250,000)	-0-
Recreation Complex Fund		(39,989)	(39,989)
Debt Service Funds	(328,000)	(328,000)	-0-
Bond Construction Fund		(27,882)	(27,882)
Total Other Financing Uses	<u>(578,000)</u>	<u>(645,871)</u>	<u>(67,871)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(25,845)	(105,866)	(80,021)
FUND BALANCE, BEGINNING OF YEAR	<u>131,744</u>	<u>131,744</u>	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 105,899</u>	<u>\$ 25,878</u>	<u>\$(80,021)</u>

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

CITY OF LEESVILLE, LOUISIANA
 HUD VOUCHER PROGRAM FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 1996

EXHIBIT G-4

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Intergovernmental - Federal Grants	\$154,407	\$139,793	\$(14,614)
EXPENDITURES			
Current - Special Programs			
Housing assistance payments	134,400	120,285	14,115
Administrative	<u>20,007</u>	<u>7,759</u>	<u>12,248</u>
Total Expenditures	<u>154,407</u>	<u>128,044</u>	<u>26,363</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	11,749	11,749
FUND BALANCE, BEGINNING OF YEAR	<u>38,492</u>	<u>38,492</u>	-0-
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 38,492</u>	<u>\$ 50,241</u>	<u>\$ 11,749</u>

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

CITY OF LEESVILLE, LOUISIANA
 ECONOMIC DEVELOPMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 1996

EXHIBIT G-5

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Interest	\$ 8,860	\$ 8,771	\$(89)
FUND BALANCE, BEGINNING OF YEAR	<u>387,990</u>	<u>387,990</u>	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$396,850</u>	<u>\$396,761</u>	<u>\$(89)</u>

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

CITY OF LEESVILLE, LOUISIANA
RECREATION COMPLEX FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 1996

EXHIBIT G-6

REVENUES	
Charges for services	
Concession stand	\$ 11,060
Advertising	4,200
Other	
Donations	<u>12,255</u>
Total Revenues	27,515
EXPENDITURES	
Current - Culture and Recreation	
Salaries	1,415
Payroll taxes	88
Telephone and utilities	1,984
Supplies	23,873
Repairs and maintenance	556
Professional fees	4,300
Sponsor signs	2,198
Other	714
Capital Outlay	
Scoreboards	10,534
Equipment	<u>21,842</u>
Total Expenditures	<u>67,504</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(39,989)
OTHER FINANCING SOURCES	
Operating transfer in	
Sales Tax Fund	<u>39,989</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-
FUND BALANCE, BEGINNING OF YEAR	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ -0-</u>

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

CITY OF LEESVILLE, LOUISIANA
E911 COMMUNICATIONS DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1996

EXHIBIT G-7

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUES			
Intergovernmental			
Vernon Parish Police Jury	\$ 41,200	\$ 41,182	\$ (18)
Vernon Parish Communications District	264,350	264,351	1
Charges for services			
Telephone surcharges	165,000	183,400	18,400
Interest		3,212	3,212
Other:	<u>5,665</u>	<u>5,676</u>	<u>11</u>
Total Revenues	476,215	497,821	21,606
EXPENDITURES			
Current			
Public Safety			
Salaries	95,100	95,496	(396)
Payroll taxes	7,600	7,614	(14)
Retirement	1,615	1,612	3
Insurance	12,900	12,946	(46)
Travel	1,640	1,637	3
Training	900	1,119	(219)
Telephone and utilities	98,300	105,082	(6,782)
Supplies	24,000	24,361	(361)
Gas and oil	1,000	1,103	(103)
Other	2,075	1,879	196
Capital Outlay	<u>78,000</u>	<u>98,433</u>	<u>(20,433)</u>
Total Expenditures	323,130	351,282	(28,152)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	153,085	146,539	(6,546)
FUND BALANCE, BEGINNING OF YEAR	-0-	-0-	-0-
<u>FUND BALANCE, END OF YEAR</u>	<u>\$153,085</u>	<u>\$146,539</u>	<u>\$ (6,546)</u>

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

DEBT SERVICE FUNDS

These funds account for resources accumulated for payment of principal and interest of general obligation debt consisting of the following:

Civic Center public improvement bonds, dated February 2, 1972, secured as to payment by ad valorem tax assessed on all property and improvements in the City of Leesville.

Water System public improvement bonds, dated April 1, 1983, secured as to payment by ad valorem tax assessed on all property and improvements in the City of Leesville.

Public improvement bonds, Series ST-1992, secured as to payment by the revenues of the special one percent sales and use tax levied and collected by the City.

Certificates of Indebtedness, Series 1995, secured by and payable as to principal and interest solely from a pledge and dedication of the excess of annual revenues of the City.



PAYNE, MOORE & HERRINGTON, LLP

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

Our audit was conducted for the purpose of forming an opinion on the primary government financial statements and the combining, individual fund, and account group financial statements of the City of Leesville, Louisiana, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the primary government financial statements and the combining, individual fund, and account group financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the primary government financial statements and the combining, individual fund, and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the primary government financial statements taken as a whole and the financial statements of each of the respective individual funds and account groups of the primary government.

Payne, Moore & Herrington, LLP
Certified Public Accountants

November 8, 1996

CITY OF LEESVILLE, LOUISIANA
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 1996

FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER OR PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 1995	RECEIPTS	DISBURSEMENTS	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 1996
U.S. Department of Commerce - Economic Development Administration Economic Adjustment Assistance - Leesville Northside Industrial Park	11.307	08-49-02945	\$2,031,750	\$ 38,021	\$1,319,447	\$1,383,081	\$ 101,655
U.S. Department of Housing and Urban Development Direct Section 8 Housing Voucher Program Totals	14.516	FW2262V	154,407	(133,998)*	115,803	139,793	(110,008)*
U.S. Department of Justice Passed through the Louisiana Commission on Law Enforcement Juvenile Justice and Delinquency Prevention Home Detention Program Street Sales Disruption Street Sales Disruption Totals	16.540 16.579 16.579	95-J3-J.3-0205 95-B3-B.07-0069 96-B3-B.07-0069	11,215 8,237 16,474 35,926	7,551 -0- -0- 7,551	10,526 -0- -0- 10,526	2,975 5,521 382 8,878	-0- 5,521 382 5,903
U.S. Department of Transportation Airport Improvement Program Airport Improvement Program Totals	20.106 20.106	3-22-057-04-93 3-22-0057-05	1,398,213 433,368 1,831,581	136,070 -0- 136,070	131,673 324,997 456,670	118,816 383,133 501,949	123,213 58,136 181,349
National Highway Traffic Safety Administration 1996 Summertime Holidays Safe and Sober Campaign Enforcement Patrol - Seatbelt Totals	23.402	9605-10 9670CAG	3,420 442 3,862	-0- -0- -0-	-0- -0- -0-	1,095 442 1,537	1,095 442 1,537
TOTALS			\$4,057,526	\$ 47,644	\$1,902,446	\$2,035,238	\$180,436

See independent auditor's report on Schedule of Federal Financial Assistance.

* Section 8 Housing Voucher Program
 Deferred revenue \$ (21,926)
 Due to Federal government (112,072)
 Total \$ (133,998)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF PRIMARY GOVERNMENT, COMBINING, INDIVIDUAL
FUND, AND ACCOUNT GROUP FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF PRIMARY GOVERNMENT, COMBINING, INDIVIDUAL
FUND, AND ACCOUNT GROUP FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

We have audited the primary government financial statements and the combining,
individual fund, and account group financial statements of the City of Leesville,
Louisiana, as of and for the year ended June 30, 1996, and have issued our report
thereon dated November 8, 1996. In our report, our opinion was qualified because
the financial statements of the General Fixed Assets account group include only
assets acquired subsequent to 1971. Records of general fixed assets acquired prior
to 1972 were not maintained. Generally accepted accounting principles require the
recording of fixed assets at cost, or estimated historical cost if cost records are
not available.

Except as discussed in the above paragraph, we conducted our audit in accordance
with generally accepted auditing standards and 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
primary government financial statements and the combining, individual fund, and
account group financial statements are free of material misstatement.

The management of the City of Leesville, Louisiana, is responsible for establishing
and maintaining an internal control structure. In fulfilling this responsibility,
estimates and judgments by management are required to assess the expected benefits
and related costs of internal control structure policies and procedures. The
objectives of an internal control structure are to provide management with
reasonable, but not absolute, assurance that assets are safeguarded against loss
from unauthorized use or disposition, and that transactions are executed in
accordance with management's authorization and recorded properly to permit the
preparation of financial statements in accordance with generally accepted
accounting principles. Because of inherent limitations in any internal control
structure, errors or irregularities may nevertheless occur and not be detected.
Also, projection of any evaluation of the structure to future periods is subject
to the risk that procedures may become inadequate because of changes in conditions
or that the effectiveness of the design and operation of policies and procedures
may deteriorate.

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The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

In planning and performing our audit of the primary government financial statements and the combining, individual fund, and account group financial statements of the City of Leesville, Louisiana, as of and for the year ended June 30, 1996, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and the combining, individual fund, and account group financial statements, and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the primary government financial statements and the combining, individual fund, and account group financial statements.

The reportable conditions noted are as follows:

INVENTORY CONTROL

In our prior year's report on the internal control structure, dated November 16, 1995, we reported various internal control deficiencies relating to the inventory function. Many of the concerns reported have been addressed and corrected by management. However, we continue to recommend that the following inventory control deficiencies be addressed:

1. Separate general ledger control accounts are not maintained for fuels, materials and supplies. We continue to recommend that separate control accounts be established to facilitate reconciliations.
2. The daily physical inventory of fuels is not reconciled to the perpetual records or to the general ledger control account. We continue to recommend that this physical inventory be reconciled to the perpetual inventory records and to the general ledger. Differences should be investigated and corrected.



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3. The periodic physical inventory of materials and supplies is not reconciled to the general ledger control account. We continue to recommend that the physical inventory be reconciled to the general ledger and any difference investigated and corrected.
4. We found that material issue tickets are not submitted on a timely basis to the accountant for recordation in the general ledger. We recommend that the tickets be summarized and recorded in the general ledger at least monthly.

Management's Response

Separate general ledger accounts will be created and maintained. The Purchasing Agent has been instructed to reconcile fuel inventory and physical inventory with the warehouse receipts and general ledger.

GENERAL FIXED ASSETS

The financial records of the General Fixed Asset account group reflect only assets acquired subsequent to 1971. Records indicating the cost of assets acquired prior to 1972 were not maintained. Generally accepted accounting principles require the recording of fixed assets at cost, or estimated historical cost if cost records are not available.

We understand that City personnel are continuing in their attempt to identify and establish an estimated historical cost for general fixed assets acquired prior to 1971. However, this project appears to be stalled, with little accomplished during the year ended June 30, 1996. We continue to recommend that this project be expedited.

Management's Response

This has been corrected.



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The Honorable Jim Shapkoff, Jr., Mayor
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City of Leesville, Louisiana

RECREATION COMPLEX FUND

We noted several deficiencies in the internal controls relating to the operation of the new recreation complex. We recommend that management implement or improve controls in the following areas:

1. Cash registers are used to record concession receipts. However, a daily cash report is not prepared reconciling receipts with the cash register tape and the deposit. We recommend that this report be prepared and furnished to the City's accountant to support the entry recording the day's receipts in the general ledger.
2. Cash receipts are not deposited daily. Prudent financial management, as well as state revised statutes, require daily deposits. We recommend that all receipts be deposited intact on a daily basis.
3. Disbursements are being made from cash receipts for umpires and other operating costs. Only net receipts, as deposited, are recorded in the general ledger. City personnel were unable to furnish us with adequate supporting documentation for all of these disbursements. We recommend that disbursements from cash receipts be used only for petty cash type purchases. Documentation for these disbursements should be attached to the daily cash report.
4. Internal revenue regulations provide that persons receiving \$600 or more for services should receive a Form 1099-MISC reporting the amount received. Penalties may be imposed for each failure to file. We were informed that sufficient records were not maintained in order to file Forms 1099-MISC for umpire services. We recommend, in the future, that all umpires be paid by check so that Forms 1099-MISC may be accurately prepared.
5. We were informed that no formal analytical reports were prepared comparing concession sales with the cost of items purchased for resale. We recommend that such a report be devised to provide management with gross profit information.



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The Honorable Jim Shapkoff, Jr., Mayor
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City of Leesville, Louisiana

Management's Response

- 1) In the future all necessary documentation will be turned into the bookkeeper.
- 2) This will be corrected.
- 3) A new procedure will be put in place and a record of income and expense will be provided.
- 4) A new procedure for paying umpires will be put in place.
- 5) This will be corrected and a monthly report will be maintained.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the primary government financial statements and the combining, individual fund, and account group financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions discussed above to be material weaknesses. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the City of Leesville, Louisiana, for the year ended June 30, 1996.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of City of Leesville, Louisiana, in a separate letter, entitled *Other Comments and Recommendations*, dated November 8, 1996.



PAYNE, MOORE & HERRINGTON, LLP

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

This report is intended for the information of management, and the Mayor and City Council of the City of Leesville, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Payne, Moore & Herrington, LLP
Certified Public Accountants

November 8, 1996

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF PRIMARY GOVERNMENT, COMBINING,
INDIVIDUAL FUND, AND ACCOUNT GROUP FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF PRIMARY GOVERNMENT, COMBINING,
INDIVIDUAL FUND, AND ACCOUNT GROUP FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

We have audited the primary government financial statements and the combining, individual fund, and account group financial statements of the City of Leesville, Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 8, 1996. In our report, our opinion was qualified because the financial statements of the General Fixed Assets account group include only assets acquired subsequent to 1971. Records of general fixed assets acquired prior to 1972 were not maintained. Generally accepted accounting principles require the recording of fixed assets at cost, or estimated historical cost if cost records are not available.

Except as discussed in the above paragraph, we conducted our audit in accordance with generally accepted auditing standards and *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 primary government financial statements and the combining, individual fund, and account group financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Leesville, Louisiana, is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the primary government financial statements and the combining, individual fund, and account group financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the primary government financial statements and the combining, individual fund, and account group financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Compliance findings noted are as follows:

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LOUISIANA LOCAL GOVERNMENT BUDGET ACT

Condition:

Actual expenditures exceeded budgeted expenditures by five percent (5%) or more in the General Fund, Sales Tax Special Revenue Fund, and the E911 Communications District Special Revenue Fund. A budget was not adopted for the Recreation Complex Special Revenue Fund.

Criteria:

It is our understanding that the Louisiana Local Government Budget Act (the Act) requires that a budget be adopted for the general fund and all special revenue funds. In addition, the Act requires budget amendments when actual expenditures and other uses plus projected expenditures and other uses exceed budgeted expenditures and other uses by 5% or more.

Effect:

The City has not complied with the Act in the above situations.

Cause:

The Recreation Complex Special Revenue Fund began operations late in the fiscal year as a part of a capital projects fund. Subsequent to year end, management decided that the operations of the complex should have been recorded in a separate special revenue fund and appropriate journal entries as of June 30, 1996, were prepared and posted, reporting operations accordingly. Management reviewed the status of the budget variances at various times during the fiscal year. Unadjusted balances as of June 30, 1996, were within the 5% allowed by the Act. Subsequent to June 30, 1996, certain journal entries were approved by management which caused the budget variance to exceed 5%.

Management's Response:

Will review current procedure and make changes to prevent future problems.

ASSET MANAGEMENT LAWS

Condition:

Records of general fixed assets acquired prior to 1972 were not maintained.

Criteria:

It is our understanding that Louisiana Revised Statutes require the City to maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which the City is accountable.

Effect:

The City is not in compliance with the above provisions. In addition, general fixed assets, as reported, is understated by an unknown amount.

Management's Response:

This will be corrected.

COMPLIANCE WITH BOND INDENTURES

Conditions:

Monthly transfers were not made in all cases to the various debt service sinking funds, resulting in deficiencies in these funds at various times during the year. In some cases, lump sum transfers were made, as needed, to fund principal and interest payments when due. By June 30, 1996, all sinking funds were current, except for the Certificates of Indebtedness, Series 1994, which had a deficit of \$69,602. This deficit was funded subsequent to June 30, 1996.

Criteria:

The various bond indentures require that the City establish sinking funds into which each month the City transfers an amount equal to one-sixth of the next interest payment plus one-twelfth of the next principal payment.

Effect:

The City violated the sinking fund provisions of the various bond indentures.

Management's Response:

Transfers are made as required by bond indentures.

PUBLIC BID LAW - CHANGE ORDERS

Condition:

An undocumented change order in the amount of \$22,681 was made to a contract for construction of the recreation complex to add additional paving.

Criteria:

It is our understanding that state revised statutes require all change orders to be in writing.

Effect:

The City does not appear to have complied with this provision.

Management's Response:

This will be corrected and in the future all change orders will be in writing.



PAYNE, MOORE & HERRINGTON, LLP

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

We considered these material instances of noncompliance in forming our opinion on whether the primary government financial statements and the combining, individual fund, and account group financial statements of the City of Leesville, Louisiana, as of and for the year ended June 30, 1996, are presented fairly, in all material respects, in conformity with generally accepted accounting principles. This report does not affect our report dated November 8, 1996, on those primary government financial statements and the combining, individual fund, and account group financial statements, other than the qualifications in regard to records maintained on general fixed assets.

We also noted certain immaterial instances of noncompliance that we have reported to the management of City of Leesville, Louisiana, in a separate letter, entitled *Other Comments and Recommendations*, dated November 8, 1996.

This report is intended for the information of management, and the Mayor and City Council of the City of Leesville, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Payne, Moore & Herrington, LLP
Certified Public Accountants

November 8, 1996

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL
CONTROL STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS



PAYNE, MOORE & HERRINGTON, LLP

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**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL
CONTROL STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

We have audited the primary government financial statements and the combining, individual fund, and account group financial statements of the City of Leesville, Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 8, 1996. In our report, our opinion was qualified because the financial statements of the General Fixed Assets account group include only assets acquired subsequent to 1971. Records of general fixed assets acquired prior to 1972 were not maintained. Generally accepted accounting principles require the recording of fixed assets at cost, or estimated historical cost if cost records are not available. We have also audited the compliance of the City of Leesville, Louisiana, with requirements applicable to its major federal financial assistance program and have issued our report thereon dated November 8, 1996.

Except as discussed in the above paragraph, we conducted our audits in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the primary government financial statements and the combining, individual fund, and account group financial statements are free of material misstatement and whether the City of Leesville, Louisiana, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended June 30, 1996, we considered the internal control structure of the City of Leesville, Louisiana, in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and the combining, individual fund and account group financial statements of the primary government, and on the compliance of the City of Leesville, Louisiana, with requirements applicable to its major programs and to report on the internal control structure

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The Honorable Jim Shapkoff, Jr., Mayor
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City of Leesville, Louisiana

in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the primary government financial statements and the combining, individual fund and account group financial statements in a separate report dated November 8, 1996.

The management of the City of Leesville, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of primary government financial statements and the combining, individual fund and account group financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

ACCOUNTING CONTROLS:

General accounting; cash; cash receipts and disbursements; governmental revenues and receivables; expenditures for goods and services and accounts payable; and property, equipment, and capital expenditures.



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City of Leesville, Louisiana

ADMINISTRATIVE CONTROLS:

General requirements:

Political activity; Davis-Bacon Act compliance; civil rights; cash management; federal financial reports; allowable costs/cost principles; Drug Free Workplace Act; and administrative requirements.

Specific requirements:

Types of services allowed or unallowed; reporting; claims for advances and reimbursements; and amounts claimed or used in matching.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, the City of Leesville, Louisiana, expended 93% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation on internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for reimbursements that are applicable to each of the major programs of the City of Leesville, Louisiana, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.



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The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

However, we noted certain matters involving the internal control structure and its operations that we have reported to the management of City of Leesville, Louisiana, in a separate letter, entitled *Other Comments and Recommendations*, dated November 8, 1996.

This report is intended for the information of management, and the Mayor and City Council of the City of Leesville, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Payne, Moore & Herrington, LLP
Certified Public Accountants

November 8, 1996

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Honorable Jim Shapkoff, Jr., Mayor and Members of the City Council City of Leesville, Louisiana

We have audited the primary government financial statements and the combining, individual fund and account group financial statements of the primary government of the City of Leesville, Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 8, 1996. In our report, our opinion was qualified because the financial statements of the General Fixed Assets account group include only assets acquired subsequent to 1971. Records of general fixed assets acquired prior to 1972 were not maintained. Generally accepted accounting principles require the recording of fixed assets at cost, or estimated historical cost if cost records are not available.

We have applied procedures to test the City's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended June 30, 1996:

Political activity; Davis-Bacon Act; civil rights; cash management; federal financial reports; allowable costs/cost principles; Drug-free Workplace Act; and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures to determine compliance indicate that, with respect to the items tested, the City of Leesville, Louisiana, complied, in all material respects, with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Leesville, Louisiana, had not complied, in all material respects, with those requirements.

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PAYNE, MOORE & HERRINGTON, LLP

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

This report is intended for the information of management, and the Mayor and City Council of the City of Leesville, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Payne, Moore & Herrington, LLP
Certified Public Accountants

November 8, 1996

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

We have audited the primary government financial statements and the combining, individual fund and account group financial statements of the primary government of the City of Leesville, Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 8, 1996. In our report, our opinion was qualified because the financial statements of the General Fixed Assets account group include only assets acquired subsequent to 1971. Records of general fixed assets acquired prior to 1972 were not maintained. Generally accepted accounting principles require the recording of fixed assets at cost, or estimated historical cost if cost records are not available.

We have also audited the compliance of the City of Leesville, Louisiana, with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; reporting; claims for reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended June 30, 1996. The management of City of Leesville, Louisiana, is responsible for the compliance of the City of Leesville, Louisiana, with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128, require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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PAYNE, MOORE & HERRINGTON, LLP

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In our opinion, the City of Leesville, Louisiana, complied, in all material respects, with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; reporting; claims for reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance programs for the year ended June 30, 1996.

This report is intended for the information of management, and the Mayor and City Council of the City of Leesville, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Payne, Moore & Herrington, LLP
Certified Public Accountants

November 8, 1996

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

The Honorable Jim Shapkoff, Jr., Mayor and Members of the City Council City of Leesville, Louisiana

We have audited the primary government financial statements and the combining, individual fund and account group financial statements of the primary government of the City of Leesville, Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 8, 1996. In our report, our opinion was qualified because the financial statements of the General Fixed Assets account group include only assets acquired subsequent to 1971. Records of general fixed assets acquired prior to 1972 were not maintained. Generally accepted accounting principles require the recording of fixed assets at cost, or estimated historical cost if cost records are not available.

In connection with our audit of the primary government financial statements and the combining, individual fund and account group financial statements of the primary government of the City of Leesville, Louisiana, and with our consideration of the City's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments," we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1996.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; matching; and eligibility that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Leesville, Louisiana, had not complied, in

L. PAUL HOOD, C.P.A. ERNEST F. SASSER, C.P.A. DALE P. DE SELLE, C.P.A.
MARVIN A. JUNEAU, C.P.A. ROBERT L. LITTON, C.P.A. REBECCA B. MORRIS, C.P.A.
R. FRED RANDOW, C.P.A. ROBERT W. BYDRAK, C.P.A. MICHAEL A. JUNEAU, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of management, and the Mayor and City Council of the City of Leesville, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Payne, Moore & Herrington, LLP
Certified Public Accountants

November 8, 1996

OTHER COMMENTS AND RECOMMENDATIONS



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

OTHER COMMENTS AND RECOMMENDATIONS

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

In planning and performing our audit of the primary government financial statements and the combining, individual fund and account group financial statements of the primary government of the City of Leesville, Louisiana, as of and for the year ended June 30, 1996, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several 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 November 8, 1996, contains our report on reportable conditions in the City's internal control structure. This letter does not affect our report, dated November 8, 1996, on the primary government financial statements and the combining, individual fund and account group financial statements of the primary government of the City of Leesville, 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, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Payne Moore & Herrington, LLP
Certified Public Accountants

November 8, 1996

L. PAUL HOOD, C.P.A.

MARVIN A. JUNEAD, C.P.A.

N. FRED RANDOW, C.P.A.

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120

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MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS

COMPLIANCE WITH WATER AND SEWER REVENUE BOND INDENTURES

We found that the City is not in compliance with the following provisions of the sewer and water revenue bond indentures:

1. The indentures require that no free service be furnished to any customer, including the City itself.
2. The indentures require that interest be charged on accounts delinquent more than 30 days at a minimum rate of 6% per annum.

Management's Response

Management believes implementing these provisions would be cost prohibitive.

PAYMENT AGREEMENTS ON DELINQUENT CUSTOMER ACCOUNTS NOT ENFORCED

In our prior *Memorandum of Other Comments and Recommendations*, dated November 16, 1995, we reported that payment agreements on delinquent customer accounts were not being enforced. City policy requires a delinquent water or sewer customer to sign a payment agreement in order to continue to receive service. The agreement specifies that the customer must pay the current bill plus a negotiated amount on the past due amount. We found that as long as the customer made an occasional payment on account, then the customer continued to receive service. We found little or no improvement in this area during the fiscal year ended June 30, 1996. Delinquent accounts (over 30 days past due) increased by \$8,947 or 60% from \$14,861 at June 30, 1995 to \$23,808 at June 30, 1996. During the same time period, total customer receivables increased by \$25,208 or 19% from \$131,967 at June 30, 1995, to \$157,175 at June 30, 1996. We continue to recommend that the City's delinquent account polices be enforced.

Management's Response

The Revenue Officer stated she monitors these accounts that have signed agreements on a weekly basis. There are a small number that she continues to have problems with. But, she continues to monitor these in an effort to collect.

SUPPORTING DOCUMENTATION FOR CASH RECEIPTS

Our tests of cash receipts indicate that while receipts are written for all items received, the receipts do not always contain all pertinent information or have adequate supporting documentation attached. We recommend that in order to improve recordkeeping and the audit trail, all pertinent information be entered on the receipt. Also, the check stub or copy of the check and other supporting documentation such as transmittal letters should be attached to the receipt.

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

Management's Response

This has been corrected. Cashiers have been instructed to write all pertinent information on each cash receipt.

SUBSIDIARIES NOT RECONCILED TO THE GENERAL LEDGER

We found that the subsidiary listing for occupational licenses was not reconciled to the occupational license stubs or to the related general ledger control account. In addition, we found that the subsidiary listing of outstanding ad valorem taxes was not reconciled to the unpaid tax notices file or the related general ledger control account. We were also informed that receipts were not posted to these subsidiary ledgers on a daily basis. Considerable time was required to reconcile these accounts to ensure that all receipts were deposited and correctly recorded in the general ledger. We recommend that transactions be posted to the subsidiary ledgers on a daily basis. The subsidiary listings should be reconciled to their respective general ledger control accounts at least monthly.

Management's Response

The Revenue Collector has been instructed to instruct personnel to post these on a daily basis and reconcile them at least monthly with the general ledger.

LTC ORDERS NOT CORRECTLY POSTED TO SUBSIDIARY

We found that LTC orders relating to ad valorem tax adjustments and abatements were not always posted correctly to the ad valorem taxes receivable subsidiary ledger, resulting in incorrect delinquent tax roll listings, and, possibly, incorrect refunds. (Note: These errors would have been discovered if the unpaid tax notices had been reconciled to the tax roll subsidiary listing as discussed in the previous comment.) Discussion with client personnel indicated an incomplete understanding of the system software for ad valorem taxes. We recommend that personnel be properly trained on the operation of the software. We also wish to emphasize the importance of reconciling the unpaid tax notices to the subsidiary and to the general ledger.

Management Response

The Revenue Collector has realized this is a problem. She is working with our software company to correct this.

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

CHANGE ORDERS ON CONSTRUCTION CONTRACTS

We were informed that change orders on construction contracts were not reviewed and approved by the City's Attorney. Louisiana Revised Statutes provide that any change order outside the scope of the contract in excess of the contract limit as defined by statute shall be let out for public bid. We found that numerous change orders were made to two contracts. Some of these change orders were in excess of the contract limit and may have changed the scope of the original contact. These contracts are summarized below:

	CONTRACT NO. 1	CONTRACT NO. 2
Original contact	\$103,812	\$277,490
Change orders	<u>186,709</u>	<u>125,527</u>
Total contract	\$290,521	\$403,017

We recommend that, in the future, all change orders on contracts be reviewed and approved by the City Attorney for compliance with state revised statutes.

Management's Response

All change order in the future will be reviewed by the city attorney.

TIMBER SALES

Timber was sold from two City-owned lots during the year. Public bids were not obtained on these sales. We recommend that, in the future, that the City Attorney be consulted to determine if public bids are required on timber sales.

Management's Response

The city attorney will be contacted in the future.

DUES PAID TO THE CHAMBER OF COMMERCE

We located a payment of \$151.25 to the Greater Vernon Chamber of Commerce for 1996 annual membership dues. It is our understanding that the payment of dues to a chamber of commerce violates the state constitution. We recommend that any future payments be reviewed and approved by the City Attorney for compliance with state laws.

The Honorable Jim Shapkoff, Jr., Mayor
and Members of the City Council
City of Leesville, Louisiana

Management's Response

We were not aware that it was not allowed for the city to pay these dues. These are actually not for (1) individual, but for the City of Leesville.

MEMORIALS

We located two disbursements in our tests that were payments to florists for funeral arrangements. It is our understanding that a disbursement of this type is prohibited by the state constitution. We recommend that any future payments be reviewed and approved by the City Attorney for compliance with state laws. Also, we recommend that all employees be informed that the City Attorney's opinion be obtained prior to such a purchase.

Management's Response

In the future these will be reviewed by city attorney.

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WASHINGTON STREET HOPE CENTER, INC.
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 FEB 19 1997

ALBERT R. LEGER, CPA
A PROFESSIONAL CORPORATION
133 E. WADDIL STREET
MARKSVILLE, LOUISIANA

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RECEIVED



Albert R. Leger
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Board of Directors
Washington Street Hope Center, Inc.
118 S. Washington Street
Marksville, Louisiana

MANAGEMENT LETTER

INTRODUCTION

Although not considered necessary for fair presentation of financial position, the following comments are presented primarily for the purpose of improving controls and management practices for the operations of the Washington Street Hope Center, Inc.

1) FIDELITY BOND COVERAGE

In reviewing the fiscal year ended June 30, 1996 insurance coverage for the corporation, we noted no fidelity bond coverage on officers, directors or employees, responsible for or authorization over funds of the corporation and no general liability or fire insurance coverage on the Bailey Hotel property.

We recommend management consider the purchase of such policies. These policies would protect the corporation from loss of funds in the event of irregularities and property losses and damages.

2) PAYROLL TAX OVERPAYMENTS

In reviewing and recomputing quarterly payroll reports for the fiscal year ended June 30, 1996, it was noted that on the state unemployment reports filed for the third and fourth quarter 1995 and the second quarter 1996 taxable wages and taxes due were incorrectly calculated resulting in a \$686 overpayment of taxes.

We recommend that caution be exercised when completing and filing these forms to avoid future overpayments.

3) FINANCIAL MANAGEMENT AND BUDGET INTEGRATION

For the fiscal year ended June 30, 1996, the Washington Street Hope Center Inc's Hope Center program expenses in total are within total budgeted expenses; however, for each budgeted cost category the following is a summary of budget variances:

	<u>Actual Expense</u>	<u>Budgeted Expense</u>	<u>Over(Under) Budget</u>
Personal Services	\$ 86,119	\$ 84,870	\$ 1,249
Related Benefits	6,763	9,500	(2,737)
Operating Services	17,034	18,100	(1,066)
Supplies	16,445	13,641	2,804
Professional Service	<u>4,553</u>	<u>4,803</u>	<u>(250)</u>
	<u>\$130,914</u>	<u>\$130,914</u>	<u>\$ -</u>

We recommend that management periodically review its progress in meeting each program's financial objectives. When objectives need to be changed, management should make appropriate budget revisions.

4) ALLOWABLE PROGRAM EXPENSE

For the fiscal year ended June 30, 1996, Washington Street Hope Center, Inc.'s Hamilton House program paid \$500 for legal services related to the Bailey Hotel program. This expense is not necessary and reasonable for the proper administration of the Hamilton House program and, therefore, is in violation of allowable cost principles.

We recommend that management abide by allowable cost principles, which requires that federally assisted programs bear only their fair share of recognized costs.

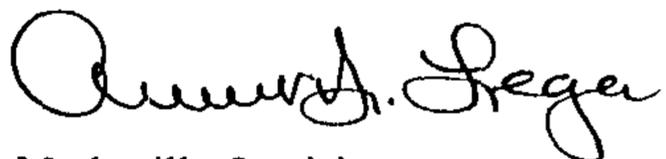
The preceding comments arise primarily from a part of our examination wherein we reviewed Washington Street Hope Center, Inc.'s internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objectives of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, protection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate. Establishment and maintenance of adequate internal control is responsibility of the management.

Our study and evaluation of the Washington Street Hope Center, Inc.'s system of internal accounting control for the year ended June 30, 1996, made for the purpose set forth in the third preceding paragraph, would not necessarily disclose all weaknesses in the system.

We wish to take this opportunity to express our appreciation for the assistance and cooperation given our representatives during the course of our examination. We would be glad to discuss any questions concerning our comments and recommendations at your convenience.



Marksville, Louisiana

August 28, 1996

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

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WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

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Albert R. Leger
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Washington Street Hope Center, Inc.
118 S. Washington Street
Marksville, Louisiana

We have audited the accompanying balance sheet of Washington Street Hope Center, Inc. (a nonprofit organization) as of June 30, 1996 and the related statements of support, revenue, and expenses and changes in fund balances, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Washington Street Hope Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Street Hope Center, Inc. as of June 30, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

A handwritten signature in cursive script, reading "Albert R. Leger", is written in black ink.

Marksville, Louisiana
August 28, 1996



Albert R. Leger
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL STRUCTURE IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS

Board of Directors
Washington Street Hope Center, Inc.
118 S. Washington Street
Marksville, Louisiana

We have audited the financial statements of the Washington Street Hope Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated August 28, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

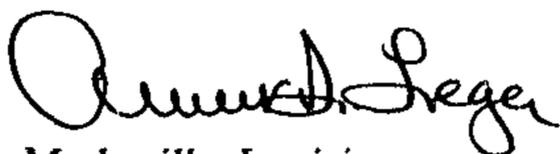
The management of Washington Street Hope Center, Inc., is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Washington Street Hope Center, Inc. for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Washington Street Hope Center, Inc. in a separate letter dated August 28, 1996.

This report is intended for the information of the management, the Legislative Auditor of the State of Louisiana, and the Department of Health and Hospitals. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Marksville, Louisiana
August 28, 1996



Albert R. Leger
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS,
REGULATIONS, CONTRACTS, AND GRANTS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

Board of Directors
Washington Street Hope Center, Inc.
118 S. Washington Street
Marksville, Louisiana

We have audited the financial statements of the Washington Street Hope Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated August 28, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

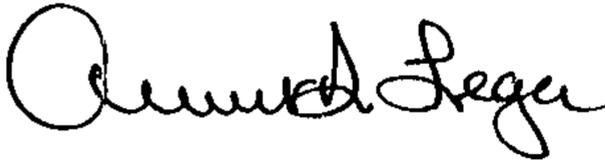
Compliance with laws, regulations, contracts and grants applicable to Washington Street Hope Center, Inc., is the responsibility of Washington Street Hope Center, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Washington Street Hope Center, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Washington Street Hope Center, Inc.
Page 2

We noted certain immaterial instances of noncompliance that we have reported to the management of the Washington Street Hope Center, Inc. in a separate letter dated August 28, 1996.

This report is intended for the information of management, the Legislative Auditor of the State of Louisiana, and the Department of Health and Hospitals of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "Omer A. Lege".

Marksville, Louisiana
August 28, 1996

FINANCIAL STATEMENTS

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

BALANCE SHEET
JUNE 30, 1996

<u>ASSETS</u>	<u>Current Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
Cash	\$ 42,561	\$ 25,143
Grant Revenue Receivable	-	20,355
Due From Other Funds	-	31,924
Utility Deposit	50	395
Land	-	-
Vehicles	-	-
Furniture & Fixtures	-	-
Equipment	-	-
Building and Improvements	-	-
Construction In Progress	-	-
Less: Accumulated Depreciation	-	-
 Total Assets	 <u>\$ 42,611</u>	 <u>\$ 77,817</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Bank Overdraft	\$ -	\$ 8,620
Due To Other Funds	16,121	15,803
Note Payable-Current	-	5,000
 Total Liabilities	 <u>\$ 16,121</u>	 <u>\$ 29,423</u>
Fund Equity:		
Fund Balance-		
Unreserved-Undesignated	\$ 26,490	\$ 48,394
Investment in Plant	-	-
 Total Fund Equity	 <u>\$ 26,490</u>	 <u>\$ 48,394</u>
 Total Liabilities and Fund Equity	 <u>\$ 42,611</u>	 <u>\$ 77,817</u>

The accompanying notes are an integral

<u>Plant Funds</u>	<u>Total All Funds</u>
\$ -	\$ 67,704
-	20,355
-	31,924
-	445
4,000	4,000
15,417	15,417
3,448	3,448
37,412	37,412
98,121	98,121
149,070	149,070
<u>(69,844)</u>	<u>(69,844)</u>
<u>\$237,624</u>	<u>\$358,052</u>

\$ -	\$ 8,620
-	31,924
<u>-</u>	<u>5,000</u>
<u>\$ -</u>	<u>\$ 45,544</u>

\$ -	\$ 74,884
<u>237,624</u>	<u>237,624</u>
<u>\$237,624</u>	<u>\$312,508</u>
<u>\$237,624</u>	<u>\$358,052</u>

part of the financial statements.

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

STATEMENT OF SUPPORT, REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1996

	<u>Current Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
<u>PUBLIC SUPPORT:</u>		
Contributions	\$ 3,926	\$ 35,006
Total Public Support	<u>\$ 3,926</u>	<u>\$ 35,006</u>
<u>REVENUES:</u>		
Federal Grant	\$ -	\$ 264,198
Program Service Fees	-	11,468
Miscellaneous	<u>5,045</u>	<u>-</u>
Total Revenues	<u>\$ 5,045</u>	<u>\$ 275,666</u>
Total Public Support & Revenues	<u>\$ 8,971</u>	<u>\$ 310,672</u>
<u>FUNCTIONAL EXPENSES:</u>		
Program Services-Hope Center	\$ -	\$ 148,390
Program Services-Hamilton House	-	153,812
Program Services-Bailey Hotel	-	1,497
Management & General	<u>5,157</u>	<u>-</u>
Total Functional Expenses	<u>\$ 5,157</u>	<u>\$ 303,699</u>
EXCESS (DEFICIENCY) OF PUBLIC SUPPORT & REVENUES OVER FUNCTIONAL EXPENSES	\$ 3,814	\$ 6,973

The accompanying notes are an integral

<u>Plant Fund</u>	<u>Total All Funds</u>
<u>\$ 500</u>	<u>\$ 39,432</u>
<u>\$ 500</u>	<u>\$ 39,432</u>
\$ -	\$ 264,198
-	11,468
-	<u>5,045</u>
<u>\$ -</u>	<u>\$ 280,711</u>
<u>\$ 500</u>	<u>\$ 320,143</u>
\$ 1,323	\$ 149,713
8,633	162,445
-	1,497
-	<u>5,157</u>
<u>\$ 9,956</u>	<u>\$ 318,812</u>
(\$ 9,456)	\$ 1,331

part of the financial statements.

WASHINGTON STREET HOPE CENTER, INC.
 MARKSVILLE, LOUISIANA

STATEMENT OF SUPPORT, REVENUES, EXPENSES,
 AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 1996

	<u>Current Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
<u>OTHER CHANGES IN FUND BALANCE:</u>		
Transfers Between Plant Fund and Restricted and Unrestricted Funds	\$ (1,980)	\$ -
Prior period adjustment - error in recording 6/30/95 cash and construction in progress	-	25,927
FUND BALANCE-BEGINNING OF YEAR	<u>24,656</u>	<u>15,494</u>
FUND BALANCE-END OF YEAR	<u>\$ 26,490</u>	<u>\$ 48,394</u>

The accompanying notes are an integral

<u>Plant Fund</u>	<u>Total All Funds</u>
\$ 1,980	\$ -
(25,896)	31
<u>270,996</u>	<u>311,146</u>
<u>\$ 237,624</u>	<u>\$ 312,508</u>

part of the financial statements.

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1996

	Program Services		
	Hope Center	Hamilton House	Bailey Hotel
FUNCTIONAL EXPENSES:			
Payroll:			
Salaries	\$ 85,769	\$ 85,807	\$ -
Employee Awards	350	325	-
Payroll Taxes	<u>6,763</u>	<u>10,947</u>	<u>880</u>
Total Payroll	\$ 92,882	\$ 97,079	\$ 880
Other:			
Contract Labor	\$ 375	\$ 685	\$ -
Utilities	6,990	11,807	34
Postage	432	346	-
Insurance	4,486	6,593	-
Telephone	1,372	1,847	-
Maintenance	2,670	6,688	460
Miscellaneous	277	949	3
Rent	6,000	-	-
Interest	150	185	115
Supplies:			
Food	11,852	13,900	-
Household	550	-	-
Office	1,195	1,163	5
Medical	221	199	-
Literature	1,724	-	-
Other Supplies	7,467	2,371	-
Professional:			
Accounting & Auditing	4,697	4,290	-
Medical	4,120	4,280	-
Other Professional Services	-	500	-
Travel	<u>930</u>	<u>930</u>	<u>-</u>
	\$148,390	\$153,812	\$ 1,497
Allocation of Depreciation	<u>1,323</u>	<u>8,633</u>	<u>-</u>
Total Functional Expenses	<u>\$149,713</u>	<u>\$162,445</u>	<u>\$ 1,497</u>

The accompanying notes are an integral

<u>Management and General</u>	<u>Total All Funds</u>
\$ -	\$ 171,576
-	675
-	<u>18,590</u>
\$ -	\$ 190,841
\$ 326	\$ 1,386
160	18,991
-	778
-	11,079
-	3,219
858	10,676
587	1,816
-	6,000
-	450
-	25,752
379	929
74	2,437
-	420
2,606	4,330
117	9,955
-	8,987
-	8,400
50	550
-	<u>1,860</u>
\$ 5,157	\$ 308,856
-	<u>9,956</u>
<u>\$ 5,157</u>	<u>\$ 318,812</u>

part of the financial statements.

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1996

	<u>Current Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (deficiency) of public support & revenues over expenses	\$ 3,814	\$ 6,973
Adjustments to reconcile excess (deficiency) of public support & revenues over expenses to net cash provided by operating activities:		
Depreciation	-	-
Changes in operating assets & liabilities:		
(Increase) Decrease in grant revenue receivable	-	96,146
(Increase) Decrease in security deposits	-	(200)
Increase (Decrease) in accounts payable and accrued expenses	-	(24,307)
Net cash provided by operating activities	3,814	78,612
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers (out to) or in from other funds	(1,980)	-
Decrease (Increase) in due (to)from other funds	13,369	(13,369)
Net cash provided by (used for) noncapital financial activities	11,389	(13,369)
 CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:		
Prior period adjustment-error in recording 6/30/95 cash	-	25,927
Acquisitions of property, plant and equipment	-	-
Principal paid on notes payable	-	(25,000)
Net cash provided by (used for) capital and related financing activities	-	927
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,203	66,170
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27,358	(49,647)
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 42,561	\$ 16,523

The accompanying notes are an integral

<u>Plant Fund</u>	<u>Total All Funds</u>
\$ (9,456)	\$ 1,331
9,956	9,956
-	96,146
-	(200)
-	<u>(24,307)</u>
<u>500</u>	<u>82,926</u>
1,980	-
<u>-</u>	<u>-</u>
1,980	-
-	25,927
(2,480)	(2,480)
-	<u>(25,000)</u>
(2,480)	(1,553)
-	81,373
<u>-</u>	<u>(22,289)</u>
<u>\$ -</u>	<u>\$ 59,084</u>

part of the financial statements.

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Washington Street Hope Center, Inc. was incorporated on July 25, 1988 and is a non-profit organization as described in IRS Code Section 501 (c) (3) which was formed for the purpose of providing a 28 day program of rehabilitation from substance abuse. The corporation also operates a halfway house referred to in this report as the Hamilton House, to be used by former patients of the treatment center for a period of up to three (3) months whereby counselors assist patients in returning to their everyday lives. It is governed by a board of directors and employs two (2) directors, a secretary, a cook, two counselors, and several program technicians.

The following is a summary of certain significant accounting policies.

Washington Street Hope Center, Inc. follows standards of accounting and financial reporting for voluntary health and welfare organizations as described in the American Institute of Certified Public Accountants' "Industry Guide for Audits of Voluntary Health and Welfare Organizations". Accordingly, the financial statements are prepared on an accrual basis of accounting.

Washington Street Hope Center, Inc. maintains its accounts in accordance with the principles of fund accounting. All financial transactions have been recorded on and reported by the following fund groups:

Current Unrestricted Fund represents resources over which the Board of Directors has discretionary control and are used to carry out operations of the Washington Street Hope Center, Inc. in accordance with its bylaws.

Current Restricted Fund represents resources currently available for use, but expendable only for those operating purposes specified by the donor. Resources of this fund originate from donations, grants, and program service fees.

Plant Fund is designated for equipment acquisitions and for recording the costs of building and equipment and accumulated depreciation.

(Continued)

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

Description of Programs

Hope Center

The Hope Center provides long-term, highly structured residential treatment programs for alcoholic and drug dependent men who are economically unable to obtain needed treatment elsewhere. Fees range from assistance provided by the State of Louisiana, Department of Health and Hospitals, Office of Human Services, Division of Alcohol and Drug Abuse to direct payments from individual patients.

Hamilton House

The Hamilton House provides a community-based halfway rehabilitation program for recovering male substance abusers to include individual and group counseling, vocational and educational counseling and placement, room and board, urine screening, and NA and AA support groups. Fees range from assistance provided by the State of Louisiana, Department of Health and Hospitals, Office of Human Services, Division of Alcohol and Drug Abuse to payments from individual patients.

Bailey Hotel

The Bailey Hotel will provide a community-based halfway rehabilitation program for recovering male substance abusers to include individual and group counseling, vocational and educational counseling and placement, room and board, urine screening, and NA and AA support groups. Fees range from assistance provided by the State of Louisiana, Department of Health & Hospitals, Office of Human Services, Division of Alcohol and Drug Abuse to payments from individual patients. For the fiscal year ended June 30, 1996 the Bailey Hotel program was not in operation.

Plant Fund Depreciation. Expenditures for physical properties are stated at cost. Donated assets are recorded at their estimated fair market values at time of donation.

Depreciation of physical properties is calculated on the straight-line method over the following estimated lives:

Buildings	25 years
Building Improvements	10 years
Vehicles & Equipment	5 years
Furniture & Fixtures	5 years

(Continued)

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

Uncollectible Patient Fees. Uncollectible amounts due for patient fees are recognized as bad debts through the establishment of an allowance account at the time information becomes available that would indicate the uncollectability of the particular receivable. The allowance for uncollectables at June 30, 1996 was immaterial.

Income Taxes. Income taxes are not provided for in the financial statements since Washington Street Hope Center, Inc. is exempt from federal and state income taxes under section 501 (c) (3) of the Internal Revenue Code and similar state provisions. Washington Street Hope Center, Inc. is not classified as a private foundation.

Donated Materials & Services. Donated materials or equipment, when received, are reflected as contributions in accompanying statements at their estimated fair market value at time of receipt.

Functional Expenses. Functional expenses have been allocated between Program Services and Supporting Services based on an analysis of personal time and space utilized for the related activities.

Cash Equivalents. For purposes of the statement of cash flows, Washington Street Hope Center, Inc. considers all highly liquid debt instruments purchased with a maturity of three (3) months or less to be cash equivalents.

Accumulated Unpaid Vacation, Sick-Pay and Other Employee Benefits. Washington Street Hope Center, Inc. has the following policy relating to vacation and sick leave:

Each employee receives 2-4 weeks vacation leave each year depending on the length of employment. Employees also receive sick leave as requested each year.

Accumulated absences were not accrued in these financial statements as such amounts were immaterial at June 30, 1996.

(Continued)

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 2. CASH

At June 30, 1996 the Washington Street Hope Center, Inc. had cash totaling \$67,704 as follows:

Petty cash	\$ 50
Demand deposits	<u>67,654</u>
Total	<u>\$ 67,704</u>

These deposits are stated at cost, which approximates market. At June 30, 1996 the Washington Street Hope Center, Inc. had \$74,054 in deposits (collected bank balances). These deposits are secured from risk by \$74,054 of federal deposit insurance.

NOTE 3. RECEIVABLES

The following is a summary of receivables at June 30, 1996:

	<u>Current Restricted Funds</u>		
	<u>Hope Center</u>	<u>Hamilton House</u>	<u>Total</u>
Grant Revenues Receivable	<u>\$11,567</u>	<u>\$ 8,788</u>	<u>\$20,355</u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Unrestricted Fund	\$ -	\$ 16,121
Current Restricted Funds:		
Hope Center	-	223
Hamilton House	31,924	-
Bailey Hotel	-	<u>15,580</u>
	<u>\$ 31,924</u>	<u>\$ 31,924</u>

(Continued)

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 5. NOTES PAYABLE

Washington Street Hope Center, Inc. obligation under notes payable consist of the following:

\$20,000 line of credit with Cottonport Bank, dated April 1, 1996;
bearing interest at 10.75% per annum; Final payment date April 5, 1997;
secured by the personal endorsements of two (2) board members and
the finance director.

Funded by federal grant revenues: \$ 5,000

NOTE 6. DONATED MATERIALS, SERVICES, AND CAPITAL EXPENDITURES

The value of donated materials, services, and capital expenditures included in the financial statements and corresponding expenditures for the year ended June 30, 1996 is as follows:

	<u>Current Funds</u> <u>Restricted</u>
Revenue (Contributions):	
Donated medical services	\$ 8,240
Donated food supplies	23,704
Donated travel	1,860
Donated labor	750
Donated accounting services	287
Donated capital expenditures	<u>500</u>
	<u>\$ 35,341</u>

(Continued)

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

	<u>Current Funds</u> <u>Restricted</u>
Expense:	
Hope Center-	
Medical	\$ 4,120
Food supplies	11,852
Travel	930
Labor	375
Accounting	<u>144</u>
Total Hope Center	<u>\$ 17,421</u>
Hamilton House-	
Medical	\$ 4,120
Food Supplies	11,852
Travel	930
Labor	375
Accounting	<u>143</u>
Total Hamilton House	<u>\$ 17,420</u>
Total Expense	<u>\$ 34,841</u>
Capital Expenditures:	
Hope Center -	
Equipment	<u>\$ 500</u>
Total Expense & Capital Expenditures	<u>\$ 35,341</u>

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SINGLE AUDIT SECTION



Albert R. Leger
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Corporation)

P.O. BOX 25 • 133 E. WADDIL • MARKSVILLE, LA 71351 - 0025 • OFFICE: (318) 253-5660 • FAX (318) 253-8681

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE
OF FEDERAL AWARDS

Board of Directors
Washington Street Hope Center, Inc.
118 S. Washington Street
Marksville, Louisiana

We have audited the financial statements of the Washington Street Hope Center, Inc. (a non-profit organization) as of and for the year ended June 30, 1996 and have issued our report thereon dated August 28, 1996. These financial statements are the responsibility of the Washington Street Hope Center, Inc.'s management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 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 opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Washington Street Hope Center, Inc. (a non-profit organization) taken as a whole. The accompanying Schedule of Federal Awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Albert R. Leger", is written over a horizontal line.

Marksville, Louisiana
August 28, 1996

WASHINGTON STREET HOPE CENTER, INC.
 MARKSVILLE, LOUISIANA

SCHEDULE OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 1996

<u>Federal Grantor/ Pass-Through Grantor/ Programs Title</u>	<u>CFDA #</u>	<u>Grant Number</u>
<u>U.S. Department of Health and Human Resources</u>		
Passed Through:		
State of Louisiana		
Department of Health and Hospitals		
Office of Human Service		
Division of Alcohol and Drug Abuse		
Block Grants for Prevention and		
Treatment of Substance Abuse * 93.959		57584 56688

Total Department of Health and Human Resources

* Indicates grants regarded as major federal award program

<u>Program or Award Amount</u>	<u>Current Year Revenue Recognized</u>	<u>Current Year Expenditures</u>
\$ 130,914 133,569	\$ 130,859 133,339	\$ 130,859 <u>133,339</u>
		<u>\$ 264,198</u>



Albert R. Leger
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SINGLE AUDIT REPORT ON THE INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

Board of Directors
Washington Street Hope Center, Inc.
118 S. Washington Street
Marksville, Louisiana

We have audited the financial statements of the Washington Street Hope Center, Inc. (a non-profit organization) as of and for the year ended June 30, 1996 and have issued our report thereon dated August 28, 1996. We have also audited Washington Street Hope Center, Inc.'s compliance with requirements applicable to major federal award programs and have issued our report thereon dated August 28, 1996.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether Washington Street Hope Center, Inc. complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing our audits for the year ended June 30, 1996, we considered Washington Street Hope Center, Inc.'s internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on Washington Street Hope Center, Inc.'s financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated August 28, 1996.

The management of Washington Street Hope Center, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of the internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal programs in the following categories:

- Cash
- Support, Program Service Fees, Revenue, and Receivables
- Expenses for Goods and Services and Accounts Payable
- Payroll and Related Liabilities

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

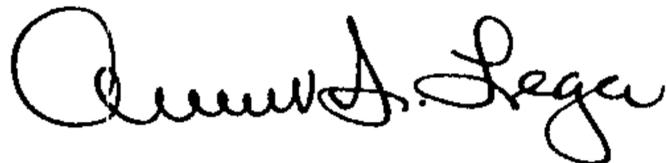
During the year ended June 30, 1996, Washington Street Hope Center, Inc. expended 100 percent of its total federal awards under major programs.

We performed tests on controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to Washington Street Hope Center, Inc.'s major federal award program, which is identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on those internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

We noted other matters involving the internal control structure and its operation that we have reported to the management of the Washington Street Hope Center, Inc. in a separate letter dated August 28, 1996.

This report is intended for the information of the management, the Legislative Auditor of the State of Louisiana, and the Department of Health and Hospitals. The restriction is not intended to limit the distribution of this report, which is a matter of public record.



Marksville, Louisiana
August 28, 1996



Albert R. Leger
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Corporation)

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL AWARDS PROGRAMS

Board of Directors
Washington Street Hope Center, Inc.
118 S. Washington Street
Marksville, Louisiana

We have audited the financial statements of Washington Street Hope Center, Inc. (a non-profit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated August 28, 1996.

We have applied procedures to test Washington Street Hope Center, Inc.'s compliance with the following requirements applicable to its federal award program, which is identified in the accompanying *Schedule of Federal Awards*, for the year ended June 30, 1996:

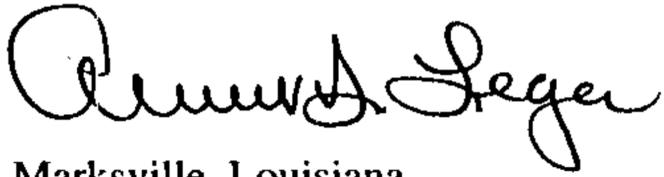
- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-free Workplace Act

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Washington Street Hope Center, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Washington Street Hope Center, Inc. had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying *Schedule of Findings and Questioned Costs*.

Board of Directors
Page 2

This report is intended for the information of management, Legislative Auditor of the State of Louisiana, and the Department of Health and Hospitals of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "Robert A. Seeger".

Marksville, Louisiana
August 28, 1996



Albert R. Leger
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Corporation)

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

Board of Directors
Washington Street Hope Center, Inc.
118 S. Washington Street
Marksville, Louisiana

We have audited the financial statements of the Washington Street Hope Center, Inc. (a non-profit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated August 28, 1996.

We have also audited Washington Street Hope Center, Inc.'s compliance with the requirements governing accountability for all in-kind contributions and for all income generated by the federal program activities and maintenance of records; sliding fee scale policy; application of client fees to cost for client services; monthly requests for reimbursement; eligible advance on contract amounts; confidentiality of patient records; service to referred clients; payments of salaries; and types of services allowed or not allowed that are applicable to its major federal award program, which is identified in the accompanying Schedule of Federal Awards, for the year ended June 30, 1996. The management of Washington Street Hope Center, Inc. is responsible for its compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about Washington Street Hope Center, Inc.'s compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

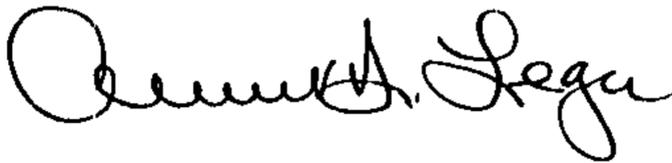
Board of Directors

Page 2

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to in the second paragraph, which are described in the Accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Washington Street Hope Center, Inc. complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to its major federal award program for the year ended June 30, 1996.

This report is intended for the information of management, Legislative Auditor of the State of Louisiana, and the Department of Health and Hospitals of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "Robert A. Segal".

Marksville, Louisiana

August 28, 1996

WASHINGTON STREET HOPE CENTER, INC.
MARKSVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1996

<u>Finding / Noncompliance</u>				<u>Questioned Costs</u>
1) For the fiscal year ended June 30, 1996, Washington Street Hope Center, Inc.'s Hope Center program expenses in total are within total budgeted expenses; however, for each budgeted cost category the following is a summary of budget variances:				
	<u>Actual Expense</u>	<u>Budgeted Expense</u>	<u>Over(Under) Budget</u>	
Personal Services	\$ 86,119	\$ 84,870	\$ 1,249	
Related Benefits	6,763	9,500	(2,737)	
Operating Services	17,034	18,100	(1,066)	
Supplies	16,445	13,641	2,804	
Professional Service	<u>4,553</u>	<u>4,803</u>	<u>(250)</u>	
	<u>\$130,914</u>	<u>\$130,914</u>	<u>-</u>	N/A

Management should periodically review its progress in meeting each programs' financial objectives. When objectives need to be changed, management should make appropriate budget revisions.

- 2) For the fiscal year ended June 30, 1996, Washington Street Hope Center, Inc.'s Hamilton House program paid \$500 for legal services related to the Bailey Hotel program. This expense is not necessary and reasonable for the proper administration of the Hamilton House program and, therefore, is in violation of allowable cost principles.

\$500

Management should abide by allowable cost principles, which requires that federally assisted programs bear only their fair share of recognized costs.

CITY OF LEESVILLE, LOUISIANA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1996

EXHIBIT H-1

	<u>CIVIC CENTER BONDS</u>	<u>WATER SYSTEM BONDS</u>	<u>SALES TAX BONDS</u>	<u>CERTIFICATES OF INDEBTEDNESS</u>	<u>TOTAL</u>
ASSETS					
Cash	\$4,796	\$46,958	\$390,989	\$21,612	\$464,355
Investments			157,281		157,281
Accrued interest receivable	_____	_____	1,654	_____	1,654
<u>TOTAL ASSETS</u>	<u>\$4,796</u>	<u>\$46,958</u>	<u>\$549,924</u>	<u>\$21,612</u>	<u>\$623,290</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to General Fund	\$ 17	\$ 87	\$	\$	\$ 104
FUND BALANCES					
Reserved for debt service	<u>4,779</u>	<u>46,871</u>	<u>549,924</u>	<u>21,612</u>	<u>623,186</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$4,796</u>	<u>\$46,958</u>	<u>\$549,924</u>	<u>\$21,612</u>	<u>\$623,290</u>

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

CITY OF LEESVILLE, LOUISIANA
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1996

EXHIBIT H-2

	<u>CIVIC CENTER BONDS</u>	<u>WATER SYSTEM BONDS</u>	<u>SALES TAX BONDS</u>	<u>CERTIFICATES OF INDEBTEDNESS</u>	<u>TOTAL</u>
REVENUES					
Ad valorem taxes	\$17,701	\$ 86,597	\$	\$	\$ 104,298
Interest	<u> </u>	<u>2,146</u>	<u>13,421</u>	<u>5,068</u>	<u>20,635</u>
Total Revenues	17,701	88,743	13,421	5,068	124,933
EXPENDITURES - DEBT SERVICE					
Principal retirement	15,000	95,000	170,000	50,000	330,000
Interest and fiscal charges	<u>1,750</u>	<u>65,435</u>	<u>145,128</u>	<u>42,456</u>	<u>254,769</u>
Total Expenditures	<u>16,750</u>	<u>160,435</u>	<u>315,128</u>	<u>92,456</u>	<u>584,769</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	951	(71,692)	(301,707)	(87,388)	(459,836)
OTHER FINANCING SOURCES					
Operating transfers in General Fund				109,000	109,000
Sales Tax Fund			<u>328,000</u>		<u>328,000</u>
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>328,000</u>	<u>109,000</u>	<u>437,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	951	(71,692)	26,293	21,612	(22,836)
FUND BALANCES, BEGINNING OF YEAR	<u>3,828</u>	<u>118,563</u>	<u>523,631</u>	<u>-0-</u>	<u>646,022</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 4,779</u>	<u>\$ 46,871</u>	<u>\$ 549,924</u>	<u>\$ 21,612</u>	<u>\$ 623,186</u>

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

CITY OF LEESVILLE, LOUISIANA
 CIVIC CENTER BONDS DEBT SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 1996

EXHIBIT H-3

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE)</u>
REVENUES			
Ad valorem taxes	\$17,715	\$17,701	\$(14)
EXPENDITURES - DEBT SERVICE			
Principal retirement	15,000	15,000	-0-
Interest and fiscal charges	<u>1,750</u>	<u>1,750</u>	<u>-0-</u>
Total Expenditures	<u>16,750</u>	<u>16,750</u>	<u>-0-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	965	951	(14)
FUND BALANCE, BEGINNING OF YEAR	<u>3,828</u>	<u>3,828</u>	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 4,793</u>	<u>\$ 4,779</u>	<u>\$(14)</u>

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

CITY OF LEESVILLE, LOUISIANA
WATER SYSTEM BONDS DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1996

EXHIBIT H-4

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Ad valorem taxes	\$ 86,685	\$ 86,597	\$(88)
Interest	<u>2,135</u>	<u>2,146</u>	<u>11</u>
Total Revenues	88,820	88,743	(77)
 EXPENDITURES - DEBT SERVICE			
Principal retirement	95,000	95,000	-0-
Interest and fiscal charges	<u>65,435</u>	<u>65,435</u>	<u>-0-</u>
Total Expenditures	<u>160,435</u>	<u>160,435</u>	<u>-0-</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (71,615)	 (71,692)	 (77)
 FUND BALANCE, BEGINNING OF YEAR	 <u>118,563</u>	 <u>118,563</u>	 <u>-0-</u>
 <u>FUND BALANCE, END OF YEAR</u>	 <u>\$ 46,948</u>	 <u>\$ 46,871</u>	 <u>\$(77)</u>

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

CITY OF LEESVILLE, LOUISIANA
 SALES TAX BONDS DEBT SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 1996

EXHIBIT H-5

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Interest	\$ 12,400	\$ 13,421	\$1,021
EXPENDITURES - DEBT SERVICE			
Principal retirement	170,000	170,000	-0-
Interest and fiscal charges	<u>145,125</u>	<u>145,128</u>	<u>(3)</u>
Total Expenditures	<u>315,125</u>	<u>315,128</u>	<u>(3)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(302,725)	(301,707)	1,018
OTHER FINANCING SOURCES			
Operating transfers in Sales Tax Fund	<u>328,000</u>	<u>328,000</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	25,275	26,293	1,018
FUND BALANCE, BEGINNING OF YEAR	<u>523,631</u>	<u>523,631</u>	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 548,906</u>	<u>\$ 549,924</u>	<u>\$1,018</u>

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

CITY OF LEESVILLE, LOUISIANA
 CERTIFICATES OF INDEBTEDNESS DEBT SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 1996

EXHIBIT H-6

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE)</u>
REVENUES			
Interest	\$ 7,950	\$ 5,068	\$(2,882)
EXPENDITURES - DEBT SERVICE			
Principal retirement	50,000	50,000	-0-
Interest and fiscal charges	<u>42,470</u>	<u>42,456</u>	<u>14</u>
Total Expenditures	<u>92,470</u>	<u>92,456</u>	<u>14</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(84,520)	(87,388)	(2,868)
OTHER FINANCING SOURCES			
Operating transfers in General Fund	<u>109,000</u>	<u>109,000</u>	<u>-0-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	24,480	21,612	(2,868)
FUND BALANCE, BEGINNING OF YEAR	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 24,480</u>	<u>\$ 21,612</u>	<u>\$(2,868)</u>

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

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital additions, other than those financed by proprietary funds.

BOND CONSTRUCTION FUND is used to account for the proceeds of the Public Improvement Bonds, Series ST-1992. The remaining funds may be used for constructing, improving and resurfacing public streets, and constructing and improving public parks and recreation facilities, including the acquisition of equipment for these facilities.

AIRPORT CONSTRUCTION FUND is used to account for construction of improvements at the airport. Funding is provided primarily by federal and state grants.

INDUSTRIAL PARK INFRASTRUCTURE CONSTRUCTION FUND is used to account for construction of the infrastructure at the North Industrial Park. Funding is provided primarily by federal economic development grants and by proceeds from the Certificates of Indebtedness, Series - 1995.

INDUSTRIAL PARK BUILDINGS CONSTRUCTION FUND is used to account for construction of buildings at the North Industrial Park. Current year funding was provided by operating transfers from the General Fund. Subsequent to June 30, 1996, the City was awarded a state economic development grant of \$2,655,000 to fund construction.

CITY OF LEESVILLE, LOUISIANA
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 1996

EXHIBIT I-1

		INDUSTRIAL PARK INFRASTRUCTURE CONSTRUCTION FUND	AIRPORT CONSTRUCTION FUND	INDUSTRIAL PARK BUILDINGS CONSTRUCTION FUND	TOTAL
ASSETS					
Cash	\$38,883	\$		\$	\$255,022
Due from other funds			9,522		9,522
General Fund					58,619
Sales Tax Special Revenue Fund	58,619				
Due from other governments			181,349		283,004
Federal			7,128		7,128
State					
TOTAL ASSETS	\$97,502	\$197,999	\$317,794	\$-0-	\$613,295
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts and contracts payable	\$97,309	\$197,999		\$	\$390,492
Due to other funds					
General Fund	193				193
Total Liabilities	97,502	197,999		-0-	390,685
FUND BALANCES					
Designated for construction	-0-	-0-	222,610	-0-	222,610
TOTAL LIABILITIES AND FUND BALANCES	\$97,502	\$197,999	\$317,794	\$-0-	\$613,295

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

CITY OF LEESVILLE, LOUISIANA
 CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 1996

EXHIBIT I-2

		BOND CONSTRUCTION FUND	AIRPORT CONSTRUCTION FUND	INDUSTRIAL PARK INFRASTRUCTURE CONSTRUCTION FUND	INDUSTRIAL PARK BUILDINGS CONSTRUCTION FUND	<u>TOTAL</u>
REVENUES						
Intergovernmental	\$		\$501,948	\$1,383,080	\$	\$1,885,028
Federal		25,000	52,938			77,938
State		5,864		5,247		11,111
Interest		2,176		2,000		4,176
Other		<u>33,040</u>	<u>554,886</u>	<u>1,390,327</u>	-0-	<u>1,978,253</u>
Total Revenues						
EXPENDITURES - CAPITAL OUTLAY						
Recreation		366,356			138,539	366,356
Economic development		<u>366,356</u>	<u>564,406</u>	<u>1,856,810</u>	<u>138,539</u>	<u>2,559,755</u>
Total Expenditures						<u>2,926,111</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES		(333,316)	(9,520)	(466,483)	(138,539)	(947,858)
OTHER FINANCING SOURCES (USES)						
Certificates of Indebtedness proceeds				700,000		700,000
Certificates of Indebtedness issuance costs				(10,907)		(10,907)
Operating transfers in			9,520		138,539	148,059
General Fund						<u>27,882</u>
Sales Tax Special Revenue Fund						
Total Other Financing Sources (Uses)		<u>27,882</u>	<u>9,520</u>	<u>689,093</u>	<u>138,539</u>	<u>865,034</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES		(305,434)	-0-	222,610	-0-	(82,824)
FUND BALANCES, BEGINNING OF YEAR		<u>305,434</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>305,434</u>
FUND BALANCES, END OF YEAR		\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>222,610</u>	\$ <u>-0-</u>	\$ <u>222,610</u>

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

CITY OF LEESVILLE, LOUISIANA
 BOND CONSTRUCTION FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 YEAR ENDED JUNE 30, 1996

EXHIBIT I-3

REVENUES		
Intergovernmental		\$ 25,000
State		5,864
Interest		2,176
Other		<u>33,040</u>
Total Revenues		
EXPENDITURES - CAPITAL OUTLAY		
Recreation		
Ballpark complex		311,797
Construction		<u>54,559</u>
Other costs		<u>366,356</u>
Total Expenditures		
DEFICIENCY OF REVENUES OVER EXPENDITURES		(333,316)
OTHER FINANCING SOURCES		
Operating transfers in		
Sales Tax Special Revenue Fund		<u>27,882</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES		(305,434)
FUND BALANCE, BEGINNING OF YEAR		<u>305,434</u>
<u>FUND BALANCE, END OF YEAR</u>		<u>\$ -0-</u>

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

CITY OF LEESVILLE, LOUISIANA
 AIRPORT CONSTRUCTION FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 YEAR ENDED JUNE 30, 1996

EXHIBIT I-4

REVENUES		
Intergovernmental		
Federal		\$501,948
State		<u>52,938</u>
Total Revenues		554,886
EXPENDITURES - CAPITAL OUTLAY		
Economic Development - Airport Improvements		37,660
Engineering		498,100
Construction		<u>28,646</u>
Other costs		<u>564,406</u>
Total Expenditures		
		(9,520)
DEFICIENCY OF REVENUES OVER EXPENDITURES		
OTHER FINANCING SOURCES		
Operating transfer in - General Fund		<u>9,520</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES		-0-
FUND BALANCE, BEGINNING OF YEAR		<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>		<u>\$ -0-</u>

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

CITY OF LEESVILLE, LOUISIANA
INDUSTRIAL PARK INFRASTRUCTURE CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 1996

EXHIBIT I-5

REVENUES	
Intergovernmental - federal	\$1,383,080
Interest earned	5,247
Other - corporate grant	<u>2,000</u>
Total Revenues	1,390,327
EXPENDITURES - CAPITAL OUTLAY	
Economic Development - infrastructure	
Engineering	233,194
Construction	1,575,996
Other costs	<u>47,620</u>
Total Expenditures	<u>1,856,810</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(466,483)
OTHER FINANCING SOURCES (USES)	
Certificates of Indebtedness proceeds	700,000
Certificates of Indebtedness issuance costs	<u>(10,907)</u>
Total Other Financing Sources (Uses)	<u>689,093</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	222,610
FUND BALANCE, BEGINNING OF YEAR	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 222,610</u>

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

CITY OF LEESVILLE, LOUISIANA
INDUSTRIAL PARK BUILDINGS CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 1996

EXHIBIT I-6

REVENUES	\$ -0-
EXPENDITURES - CAPITAL OUTLAY	
Economic Development - buildings	
Construction	137,713
Other costs	<u>826</u>
Total Expenditures	<u>138,539</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(138,539)
OTHER FINANCING SOURCES	
Operating transfer in - General Fund	<u>138,539</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-
FUND BALANCE, BEGINNING OF YEAR	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ -0-</u>

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

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

SEWER SYSTEM FUND is used to account for the sewer services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

WATER SYSTEM FUND is used to account for water services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF LEESVILLE, LOUISIANA
 ENTERPRISE FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 1996

EXHIBIT J-1
 (Continued)

ASSETS	<u>SEWER SYSTEM</u>	<u>WATER SYSTEM</u>	<u>TOTAL</u>
CURRENT ASSETS			
Cash	\$ 123,825	\$ 109,724	\$ 233,549
Receivables			
Accounts receivable (Net of allowance for doubtful accounts)	70,050	147,458	217,508
Other		4,723	4,723
Investments		294,526	294,526
Due from other funds			
Enterprise Funds	<u>184,205</u>		<u>184,205</u>
Total Current Assets	378,080	<u>556,431</u>	<u>934,511</u>
RESTRICTED ASSETS			
Revenue bond debt service account	52,950	119,973	172,923
Capital additions and contingencies account	49,910	80,531	130,441
General obligation bonds debt service account	311,999		311,999
Certificates of indebtedness debt service account		31,262	31,262
Customers' deposit account		<u>147,599</u>	<u>147,599</u>
Total Restricted Assets	<u>414,859</u>	<u>379,365</u>	<u>794,224</u>
PROPERTY, PLANT, AND EQUIPMENT			
Property, plant, and equipment	6,065,397	5,605,263	11,670,660
Accumulated depreciation	<u>(1,292,969)</u>	<u>(1,814,982)</u>	<u>(3,107,951)</u>
Net Property, Plant, and Equipment	4,772,428	3,790,281	8,562,709
OTHER ASSETS			
Bond issuance costs - net	67,399	20,727	88,126
Certificates of indebtedness issuance costs - net		<u>11,968</u>	<u>11,968</u>
Total Other Assets	<u>67,399</u>	<u>32,695</u>	<u>100,094</u>
<u>TOTAL ASSETS</u>	<u>\$ 5,632,766</u>	<u>\$ 4,758,772</u>	<u>\$10,391,538</u>

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

CITY OF LEESVILLE, LOUISIANA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1996

EXHIBIT J-1
(Concluded)

	<u>SEWER SYSTEM</u>	<u>WATER SYSTEM</u>	<u>TOTAL</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES (Payable from Current Assets)			
Notes, certificates and leases payable	\$	\$ 151,408	\$ 151,408
Accounts payable	21,693	9,405	31,098
Other current liabilities		3,250	3,250
Accrued expenses	356	24,723	25,079
Due to other funds			
General Fund	2,668	103,968	106,636
Special Revenue Funds		95,000	95,000
Enterprise Funds		184,205	184,205
Totals	24,717	571,959	596,676
CURRENT LIABILITIES (Payable from Restricted Assets)			
Payable from revenue bond debt service account			
Revenue bonds	50,000	49,190	99,190
Interest	983	27,408	28,391
Payable from general obligation bonds debt service account			
General obligation bonds	190,000		190,000
Interest	5,537		5,537
Payable from certificates of indebtedness debt service account			
Certificates of indebtedness		31,262	31,262
Payable from customers' deposit account			
Customers' deposits		147,599	147,599
Totals	246,520	255,459	501,979
Total Current Liabilities	271,237	827,418	1,098,655
NONCURRENT LIABILITIES			
Revenue bonds		947,460	947,460
General obligation bonds	1,637,936		1,637,936
Certificates of indebtedness		1,015,000	1,015,000
Total Noncurrent Liabilities	1,637,936	1,962,460	3,600,396
Total Liabilities	1,909,173	2,789,878	4,699,051
EQUITY			
Contributed capital	2,695,682	1,673,498	4,369,180
Retained earnings			
Reserved for:			
Revenue bond debt service	1,967	43,375	45,342
General obligation bond debt service	116,462		116,462
Capital additions and contingencies	49,910	80,531	130,441
Total Reserved Retained Earnings	168,339	123,906	292,245
Unreserved	859,572	171,490	1,031,062
Total Retained Earnings	1,027,911	295,396	1,323,307
Total Equity	3,723,593	1,968,894	5,692,487
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$5,632,766</u>	<u>\$4,758,772</u>	<u>\$10,391,538</u>

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

CITY OF LEESVILLE, LOUISIANA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
YEAR ENDED JUNE 30, 1996

EXHIBIT J-2

	<u>SEWER SYSTEM</u>	<u>WATER SYSTEM</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for services	\$ 443,094	\$1,158,975	\$1,602,069
OPERATING EXPENSES			
Salaries	49,016	158,900	207,916
Payroll taxes	4,079	12,303	16,382
Retirement	1,264	5,335	6,599
Operating supplies	17,318	24,519	41,837
Gas and oil	2,713	5,446	8,159
Utilities and telephone	31,651	78,742	110,393
Depreciation	92,408	221,105	313,513
Repairs and maintenance	31,230	61,379	92,609
Meter reading service		6,390	6,390
Testing	17,865		17,865
Professional fees	4,183	4,183	8,366
Provision for doubtful accounts	3,916	9,075	12,991
Office expense	1,000	12,496	13,496
Insurance	7,892	48,179	56,071
Other	4,047	2,376	6,423
Total Operating Expenses	<u>268,582</u>	<u>650,428</u>	<u>919,010</u>
OPERATING INCOME	174,512	508,547	683,059
NONOPERATING REVENUES (EXPENSES)			
Ad valorem taxes	314,756		314,756
Interest revenue	5,131	21,705	26,836
Interest expense and fiscal charges	<u>(5,105)</u>	<u>(178,276)</u>	<u>(183,381)</u>
Total Nonoperating Revenues (Expenses)	<u>314,782</u>	<u>(156,571)</u>	<u>158,211</u>
INCOME BEFORE OPERATING TRANSFERS	489,294	351,976	841,270
OPERATING TRANSFERS OUT			
General Fund		<u>(500,000)</u>	<u>(500,000)</u>
NET INCOME (LOSS)	489,294	(148,024)	341,270
RETAINED EARNINGS, BEGINNING OF YEAR	<u>538,617</u>	<u>443,420</u>	<u>982,037</u>
<u>RETAINED EARNINGS, END OF YEAR</u>	<u>\$1,027,911</u>	<u>\$ 295,396</u>	<u>\$1,323,307</u>

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

CITY OF LEESVILLE, LOUISIANA
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1996

EXHIBIT J-3

	<u>SEWER SYSTEM</u>	<u>WATER SYSTEM</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 174,512	\$ 508,547	\$ 683,059
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	92,408	221,105	313,513
Provision for doubtful accounts	1,584	9,075	10,659
Changes in assets and liabilities			
Accounts receivable	(33,366)	56,302	22,936
Due from other funds	(130,088)		(130,088)
Accounts payable	623	629	1,252
Other current liabilities		(713)	(713)
Accrued expenses	(2,435)	4,072	1,637
Due to other funds	1,172	131,593	132,765
Customers' deposits		3,752	3,752
Net Cash Provided by Operating Activities	104,410	934,362	1,038,772
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers out		(500,000)	(500,000)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Ad Valorem taxes	314,756		314,756
Issuance of general obligation bonds	1,827,936		1,827,936
Acquisition of property, plant and equipment	(1,784,930)	(18,856)	(1,803,786)
Bond issuance costs	(67,399)		(67,399)
Payments of revenue bonds and other indebtedness	(45,000)	(209,750)	(254,750)
Interest paid on long-term debt	(468)	(172,423)	(172,891)
Net Cash Provided (Used) by Capital Financing Activities	244,895	(401,029)	(156,134)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(11,614)	(11,614)
Interest received	5,131	21,190	26,321
Net Cash Provided by Investing Activities	5,131	9,576	14,707
INCREASE IN CASH	354,436	42,909	397,345
CASH, BEGINNING OF YEAR	184,248	446,180	630,428
<u>CASH, END OF YEAR</u>	\$ 538,684	\$ 489,089	\$ 1,027,773
CLASSIFIED AS:			
Current Assets	123,825	109,724	233,549
Restricted Assets	414,859	379,365	794,224
<u>TOTALS</u>	\$ 538,684	\$ 489,089	\$ 1,027,773

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

INTERNAL SERVICE FUND

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis.

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.

CITY OF LEESVILLE, LOUISIANA
INTERNAL SERVICE FUND
EMPLOYEE BENEFITS INSURANCE FUND
BALANCE SHEET
JUNE 30, 1996

EXHIBIT K-1

ASSETS		
CURRENT ASSETS		
Cash		\$159,761
Stop loss reimbursement receivable		<u>917</u>
Total Current Assets		160,678
OTHER ASSETS		
Deposit		<u>1,680</u>
<u>TOTAL ASSETS</u>		<u>\$162,358</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Claims payable		\$ 8,267
EQUITY		
Retained earnings		
Reserved for employee benefits		<u>154,091</u>
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>\$162,358</u>

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

CITY OF LEESVILLE, LOUISIANA
INTERNAL SERVICE FUND
EMPLOYEE BENEFITS INSURANCE FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
YEAR ENDED JUNE 30, 1996

EXHIBIT K-2

OPERATING REVENUES	
Charges for services	
Employer and employee contributions	\$339,668
Other	
Stop loss reimbursements	917
Miscellaneous	<u>2,919</u>
Total Operating Revenues	343,504
OPERATING EXPENSES	
Insurance premiums	
Hospitalization/health	84,765
Life	6,007
Claims paid	168,931
Administrative costs	<u>15,340</u>
Total Operating Expenses	275,043
NET INCOME	68,461
RETAINED EARNINGS, BEGINNING OF YEAR	<u>85,630</u>
<u>RETAINED EARNINGS, END OF YEAR</u>	<u>\$154,091</u>

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

CITY OF LEESVILLE, LOUISIANA
INTERNAL SERVICE FUND
EMPLOYEE BENEFITS INSURANCE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1996

EXHIBIT K-3

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 68,461
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Stop loss reimbursement receivable	(917)
Claims payable	(26,566)
Net Cash Provided by Operating Activities	40,978
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	 -0-
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	 -0-
 CASH FLOWS FROM INVESTING ACTIVITIES	 <u>-0-</u>
 INCREASE IN CASH	 40,978
 CASH, BEGINNING OF YEAR	 <u>118,783</u>
 <u>CASH, END OF YEAR</u>	 <u>\$159,761</u>

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

GENERAL FIXED ASSETS ACCOUNT GROUP

This account group is used to account for fixed assets other than those used in the proprietary funds.

CITY OF LEESVILLE, LOUISIANA
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1996

EXHIBIT L-1

GENERAL FIXED ASSETS	
Land	\$ 328,696
Buildings	1,217,948
Improvements other than buildings	13,863,749
Equipment	2,367,575
Construction in progress	<u>2,493,044</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	<u>\$20,271,012</u>
INVESTMENT IN GENERAL FIXED ASSETS	
General obligation bonds	\$ 2,399,583
General Fund revenues	3,046,762
Sales Tax revenues	4,366,113
E911 revenues	106,580
Federal and state grants	7,296,982
General public contributions	<u>3,054,992</u>
<u>TOTAL INVESTMENT IN GENERAL FIXED ASSETS</u>	<u>\$20,271,012</u>

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

CITY OF LEESVILLE, LOUISIANA
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 1996

EXHIBIT L-2

	<u>LAND</u>	<u>BUILDINGS</u>	<u>OTHER IMPROVEMENTS</u>	<u>EQUIPMENT</u>	<u>CONSTRUCTION IN PROGRESS</u>	<u>TOTAL</u>
GENERAL FIXED ASSETS, BEGINNING OF YEAR	\$291,756	\$1,438,669	\$11,166,759	\$2,152,251	\$ 2,250,009	\$17,299,444
ADDITIONS						
General obligation bonds					473,701	473,701
General Fund revenues	27,640	7,079	1,500	104,268	131,042	271,529
Sales Tax revenues			4,655	44,888	359,503	409,046
E911 revenues				75,818	30,762	106,580
Federal and state grants					1,938,862	1,938,862
General public	<u>9,300</u>			<u>23,000</u>		<u>32,300</u>
Total Additions	36,940	7,079	6,155	247,974	2,933,870	3,232,018
DEDUCTIONS						
General Fund revenues		(227,800)		(32,650)		(260,450)
COMPLETED CONSTRUCTION			<u>2,690,835</u>		<u>(2,690,835)</u>	<u>-0-</u>
<u>GENERAL FIXED ASSETS, END OF YEAR</u>	<u>\$328,696</u>	<u>\$1,217,948</u>	<u>\$13,863,749</u>	<u>\$2,367,575</u>	<u>\$ 2,493,044</u>	<u>\$20,271,012</u>

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

GENERAL LONG-TERM DEBT ACCOUNT GROUP

This account group accounts for long-term debt not recorded in any other fund.

CITY OF LEESVILLE, LOUISIANA
STATEMENT OF GENERAL LONG-TERM DEBT
JUNE 30, 1996

EXHIBIT M-1

	AD VALOREM TAX BONDS	SALES TAX BONDS	CERTIFICATES OF INDEBTEDNESS, SERIES 1995	CAPITALIZED LEASES	COMPENSATED ABSENCES PAYABLE	TOTAL
AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF GENERAL LONG- TERM DEBT						
Amount available in Debt Service						
Funds for debt retirement	\$ 51,650	\$ 549,924	\$ 21,612	\$	\$	\$ 623,186
Amount to be provided for the retirement of general long-term debt principal from						
Ad valorem tax revenues	883,350					883,350
Sales tax revenues		2,040,076			48,743	2,088,819
General Fund revenues			628,388	39,264	70,931	738,583
TOTAL AVAILABLE AND TO BE PROVIDED	<u>\$935,000</u>	<u>\$2,590,000</u>	<u>\$650,000</u>	<u>\$39,264</u>	<u>\$119,674</u>	<u>\$4,333,938</u>
GENERAL LONG-TERM DEBT PAYABLE						
Bonds payable	\$935,000	\$2,590,000	\$	\$	\$	\$3,525,000
Certificates of indebtedness payable			650,000			650,000
Compensated absences payable					119,674	119,674
Capitalized leases payable				39,264		39,264
TOTAL GENERAL LONG-TERM DEBT PAYABLE	<u>\$935,000</u>	<u>\$2,590,000</u>	<u>\$650,000</u>	<u>\$39,264</u>	<u>\$119,674</u>	<u>\$4,333,938</u>

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

ADDITIONAL INFORMATION

CITY OF LEESVILLE, LOUISIANA
 UNAUDITED SCHEDULE OF INSURANCE IN FORCE
 JUNE 30, 1996

SCHEDULE 2
 (Concluded)

<u>INSURER</u>	<u>EXPIRATION DATE</u>	<u>COVERAGE</u>	<u>PROPERTY COVERED</u>	<u>LIMITS</u>
Western Surety Company	06-30-96	Public Officials	Mayor Finance Director	90,000 limit 100,000 limit
Old Republic Ins. Co.	01-14-97	Airport Owners & Operators General Liability	Products-Completed Operations Aggregate Limit Personal Injury and Advertising Injury Aggregate Limit Malpractice Aggregate Limit Each Occurrence Limit Fire Damage Limit any one Fire Hangarkeepers Limit any one Occurrence Hangarkeepers Limit any one Aircraft	1,000,000 1,000,000 1,000,000 1,000,000 50,000 1,000,000 1,000,000
Louisiana Workmen's Compensation Corporation	12-31-96	Worker's Compensation		Statutory

See independent auditor's report.

OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-128

INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE