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CITY OF ALEXANDRIA, LOUISIANA FINANCIAL REPORT

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APRIL 30, 2004

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Release Date 11-10-04

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

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**CITY OF ALEXANDRIA, LOUISIANA
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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Alexandria, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Alexandria, Louisiana, as of and for the year ended April 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Alexandria's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information an City of Alexandria, Louisiana, as of April 30, 2004; and the respective changes in financial position and cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 23, 2004, on our consideration of the internal control over financial reporting of the City of Alexandria, Louisiana, and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

MARVIN A. JUNEAU, C.P.A. | ROBERT L. LITTON, C.P.A. | MICHAEL A. JUNEAU, C.P.A.
H. FRED RANDOW, C.P.A. | ROBERT W. DVORAK, C.P.A. | JAMES N. BALLARD, C.P.A.
ERNEST F. SASSER, C.P.A. | REBECCA B. MORRIS, C.P.A. | L. PAUL HOOD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council
City of Alexandria, Louisiana

The management's discussion and analysis and budgetary comparison information presented on pages 3 through 16 and 69 through 71 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Alexandria, Louisiana's basic financial statements. The accompanying financial information listed as "Supplemental Information" in the table of contents, including the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the summary of utility service customers and the listing of insurance in force marked "unaudited", on which we express no opinion, 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.

Payne, Moore & Herrington, LLP
Certified Public Accountants

September 23, 2004

**REQUIRED SUPPLEMENTAL INFORMATION –
PART I**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

Our discussion and analysis of the City of Alexandria's financial performance provide an overview of the City's financial activities for the fiscal year ended April 30, 2004. Please read it in conjunction with the City's financial statements, which begin on page 17.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded liabilities by \$224.5 million. Of this total, \$3.3 million in net assets are unrestricted, and may be used to meet future obligations of the City's creditors.
- The City's net assets decreased by \$2.6 million during the 2004 Fiscal Year. This is the net result of an increase of \$7.8 million in net assets from governmental activities offset by a decrease of \$5.2 million in net assets from business activities.
- As of April 30, 2004, the City's governmental activities report an increase of \$7.8 million in net assets over the prior year. However, unrestricted net assets decreased by 9.4 million.
- Unrestricted fund balance in the General Fund is \$8.1 million, which amounts to approximately 20.6% of the expenditures of the General Fund in Fiscal 2004.
- The City's long term debt increase by \$16.8 million, due primarily to the issuance of new bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 19 and 20) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 21. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting On The City As A Whole

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

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

See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

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

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

Reporting the City's Most Significant Funds
Fund Financial Statements

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

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

See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or *fiduciary*, for its employees' pension plans. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 32 and 33. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT WIDE FINANCIAL ANALYSIS

The following table reflects a condensed version of the Statement of Net Assets displaying 2003 and 2004:

City of Alexandria, LA
Condensed Statement of Net Assets (in millions)
April 30, 2003 and April 30, 2004

	2003	2004	2003	2004	2003	2004
	<u>Governmental</u>		<u>Business</u>		<u>Total</u>	
Assets						
Current & Other Assets	47.3	54.1	12.8	9.9	60.1	64.0
Restricted Assets	0	0	33.3	37.0	33.3	37.0
Capital Assets	128.6	141.1	104.1	103.1	232.7	244.2
Total Assets	175.9	195.2	150.2	150.0	326.1	345.2
Liabilities						
Current Liabilities	7.4	6.5	3.7	4.2	11.1	10.7
Long Term Liabilities	35.5	47.9	57.6	62.1	93.1	110.0
Total Liabilities	42.9	54.4	61.3	66.3	104.2	120.7
Net Assets						
Invested in Capital Assets (Net)	117.9	130.4	51.0	59.6	168.9	190.0
Restricted	13.9	18.5	15.3	12.6	29.2	31.1
Unrestricted	1.2	-8.1	22.6	11.5	23.8	3.4
Total Net Assets	133.0	140.8	88.9	83.7	221.9	224.5

See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

As of April 30, 2004, the City's net assets total \$224.5 million, showing an increase of about 1% over the 2003 total of \$221.9 million. Roughly 85% of the City's total net assets reside in the Capital Assets category. These are land, buildings, infrastructure, equipment and other items required for the City to furnish its goods and services to citizens on the governmental side of operations and customers on the business side of operations. These assets are not available for appropriation (spending) as they are not intended to be sold. Restricted assets account for \$31.1 million, or 14%, of the total. Restrictions are placed by entities outside the City government, such as bondholders. These assets are also not available for appropriation. The remaining \$3.4 million, or 2%, of net assets is unrestricted and is available for appropriation. Governmental Activities is showing a negative \$8.1 million in unrestricted net assets due to the liability for Police and Fire pension mergers with the State's system that are on a "pay as you go" basis, i.e., assets are not fully set aside to pay the liability.

The following table is a condensed version of the Statement of Changes in Net Assets displaying 2003 and 2004:

City of Alexandria, LA
Condensed Statement of Changes in Net Assets (in millions)
Years Ended April 30, 2003 and April 30, 2004

	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<u>Governmental</u>		<u>Business</u>		<u>Total</u>	
Revenues						
Program Revenues:						
Charges for Services, Fines, Fees	4.0	4.1	73.0	78.3	77.0	82.4
Grants & Contributions	4.2	7.8	2.7	1.0	6.9	8.8
General Revenues:						0.0
Sales Taxes	27.2	27.9			27.2	27.9
Other Taxes	5.9	5.9			5.9	5.9
Other	0.7	-0.1	0.4	0.4	1.1	0.3
Total Revenues	42.0	45.6	76.1	79.7	118.1	125.3
Expenses						
General government	6.4	9.2			6.4	9.2
Public safety	19.0	18.8			19.0	18.8
Public works	12.7	14.4			12.7	14.4
Community and economic development	0.9	0.8			0.9	0.8
Interest on long-term debt	2.5	1.9	2.0	2.0	4.5	3.9
Electricity			40.0	44.8	40.0	44.8
Gas			14.2	13.6	14.2	13.6
Water			5.7	5.3	5.7	5.3
Wastewater			5.8	6.2	5.8	6.2

See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
	<u>Governmental</u>		<u>Business</u>		<u>Total</u>	
Water			5.7	5.3	5.7	5.3
Wastewater			5.8	6.2	5.8	6.2
Transit			2.1	2.4	2.1	2.4
Sanitation			3.1	3.3	3.1	3.3
Total Expenses	41.5	45.1	72.9	77.6	114.4	122.7
Increase (Decrease) in Net Assets Before Transfers	0.5	0.5	3.2	2.1	3.7	2.6
Transfers	6.0	7.3	-6.0	-7.3	0.0	0.0
Increase (Decrease) In Net Assets	6.5	7.8	-2.8	-5.2	3.7	2.6

The City's total revenues were \$125.3 million and total expenses were \$122.7 million for Fiscal 2004, resulting in an increase of \$2.6 million in net assets. This can be broken down first by governmental activities and business activities, then broken down further at the fund level.

Governmental Activities net assets increased \$7.8 million for Fiscal 2004. The only significant change in revenues compared to 2003 was in the Grants and Contributions category, where specific granting for certain capital projects was received in Fiscal 2004. In expenditures, General Government and Public Works showed a significant increase over Fiscal 2003, mostly due to the expenditure of the granting on capital projects referred to in revenues.

Business-type Activities net assets decreased \$5.2 million for Fiscal 2004. Major changes in revenues for the year include \$5.3 million increase in charges for services, and a \$1.7 million decrease in grants. The charges for services increase is due to a couple of factors; increased rates on water and wastewater service in the Utilities System Fund effective July 1, 2003 and electric fuel cost recovery. Fuel cost is merely a "pass through" to the City as the customers are charged based on what the City paid for it. In expenses, the only major category changed from 2003 is electric in the amount of \$4.8 million, most of which is fuel cost expense.

INDIVIDUAL FUND ANALYSIS

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

See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

GOVERNMENTAL FUNDS

General Fund

The General Fund ended Fiscal 2004 with reduction in Unrestricted Fund Balance of \$2.9 million. In short, General Fund spent more than it took in by this amount. The reduction in Unrestricted Fund Balance for Fiscal 2003 was \$.6 million. In order to see the change, a comparison of revenues and expenditures of Fiscal 2003 and Fiscal 2004 is needed.

Revenues and Transfers In increased by \$1 million over the previous year. The greatest influence here is the combined effects of the City and Parish Sales Taxes, accounting for \$.5 million of the increase, while other factors such as Property Taxes, Transfer from Utilities account for the remaining change.

Expenditures and Transfers Out increased by \$3.2 million over the previous year. This is due to many factors, but these are the greatest: Pension Cost for the General Fund went from \$2 million in FY03 to \$2.7 million in FY04 due to the increased required rate to fund the systems. Transfers to Risk Management, where the City pays for its self insurance for Auto, General Liability, Workers Compensation and the like, went from \$1.5 million in FY03 to \$2.1 million in FY04 due to increase reinsurance premiums and previous claims history. Facing needed equipment replacement, the City spent \$1.3 million more in FY04 than in FY03 on vehicles, tractors, computers, and the like. This was necessary as the City had scaled back such purchases in FY03, and it was felt that maintenance costs would increase sharply if worn out equipment was not replaced.

General Fund Budgetary Highlights

The original budget of the General Fund reflects the City's plan and financial intent at the beginning of the fiscal year. This is routinely adjusted during the year to better reflect actual revenues available and actual expenditures incurred. The City does its most comprehensive adjustment at Major Budget Amendment (MBA). Revenues and Transfers In were adjusted resulting in a net increase of slightly more than \$1,000,000 (3%). The largest single revenue category was Transfers In with increases coming to nearly \$500,000 from City Sales Tax and the Transfer from Utilities System Fund. Intergovernmental Revenues complete the major changes with an \$446,000 increase mostly from Parish Sales Tax. The City originally budgeted \$2.8 million in use of fund balance. This was adjusted up by another \$2.8 million to cover current expenditures in excess of current revenues.

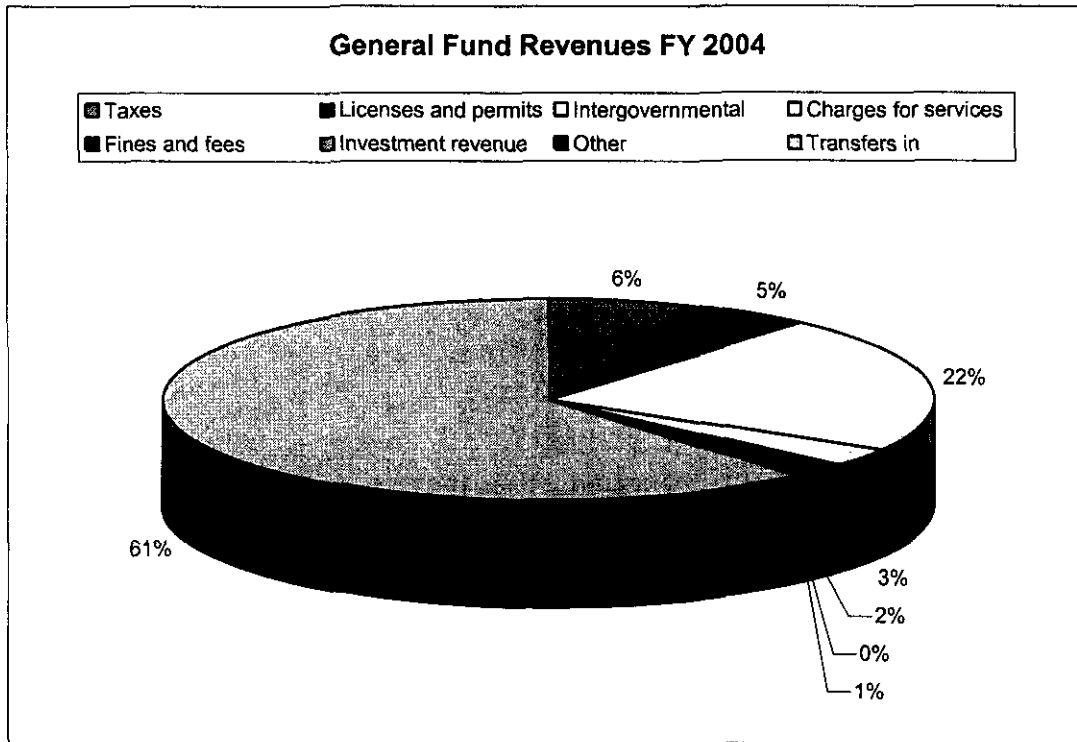
Budgeted expenditures were adjusted up during the year by \$3.8 million due to a variety of factors. Transfers to the City's self insurance funds; Risk Management and Employee Benefits increased \$850,000 and \$1,095,000 respectively to cover General Fund's portion of premium and claims cost. A lawsuit involving certain active employees was settled at a cost of \$750,000 to the General Fund. Other expenditure line items increased as needed in various departments. Utilities increased by \$261,000; Vehicle Repairs and Maintenance increased by \$54,000; Legal Fees increased by \$125,000; Overtime increased by \$427,000.

See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

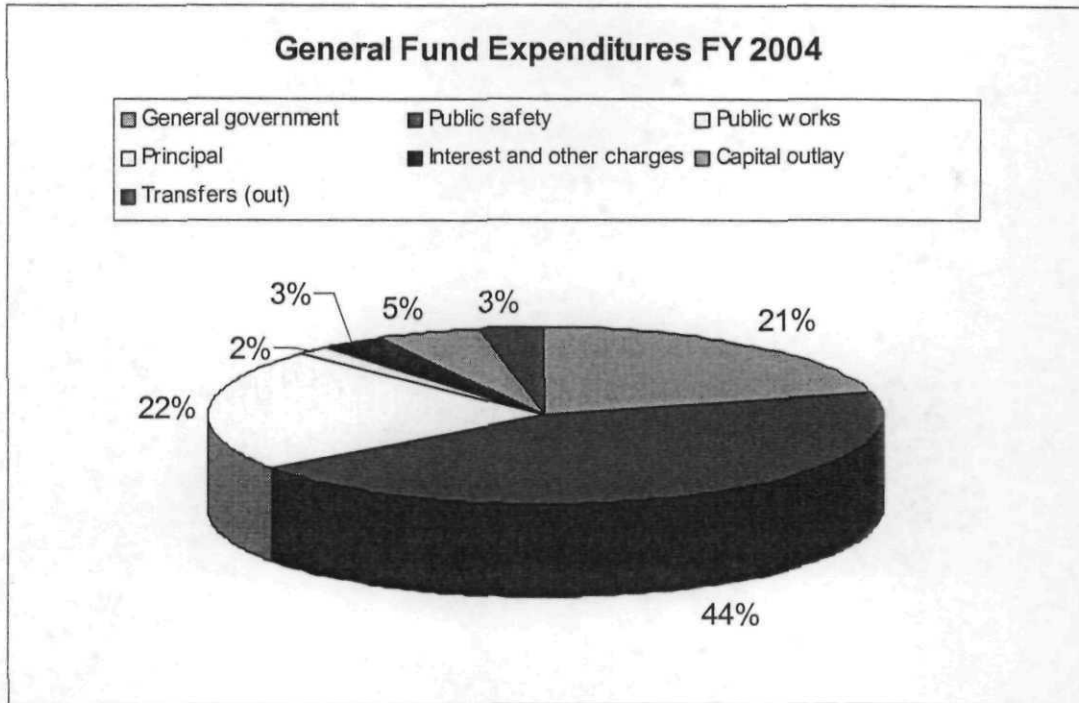
Fortunately, the actual use of fund balance for Fiscal 2004 amounted to \$2.9 million. Revenues came in close to budget, while actual expenditures came in \$2.8 million less than budgeted. This was due to reduction in discretionary spending by departments, the delivery and purchase of \$450,000 in equipment in Fiscal 2005, and the City not immediately filling vacant employee positions.

The following charts represent the actual sources and uses of General Fund monies for Fiscal 2004:



See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**



City Sales Tax Fund

The City Sales Tax Fund showed a corresponding increase in revenue and expenditure of \$.4 million. This fund is a "flow through" of 2 sales taxes passed by the voters of the City. The City Sales Tax Fund receipts the money from these sales taxes and transfers it to other funds. Half of the 1976 Sales Tax is transferred to the General Fund, while the remaining half is transferred to General Capital Projects Fund after Debt Service (payment on borrowing) are satisfied. The 1998 Sales Tax is transferred exclusively to the General Fund. The city sales taxes are a major source of revenue for the General Fund and the only perpetual source of revenue for the General Capital Projects Fund

General Capital Projects Fund

Revenues in the General Capital Projects Fund are up \$3.1 million from Fiscal 2003. As mentioned earlier, the only perpetual source of revenue for the General Capital Projects Fund is its share of the 1976 Sales Tax. However, it can receive substantial revenues from time to time from state government and private sources to fund specific capital projects. Such was the case in Fiscal 2004 in which Intergovernmental Revenues were \$3.6 million, an increase of \$2.6 million over Fiscal 2003. This is mostly due to 2 projects; the I-49 Greenbelt to establish green space along the I-49 corridor (federally funded) and the Downtown Performing Arts Theater (state funded).

See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

Expenditures for Fiscal 2004 are \$7.6 million above Fiscal 2003. Of this, the Downtown Theater's expenditures account for \$4.1 million of the increase. Most of the remaining increase can be attributed to the purchase of the Startech Building by the City for \$3.5 million. The building is owned by the City and leased to Startech for economic development purposes.

Overall fund balance decreased in 2004 by \$5.2 million when compared to 2003. However, unrestricted fund balance went up by \$2.7 million. This is due to the elimination of a \$3.8 million restricted fund balance arising from funds received but not spent on the Downtown Theater. Those funds were expended in Fiscal 2004. The remaining decrease of \$4.1 million arises from a reduction in encumbrances (projects under contract) resulting from the completion of some major projects, such as the Downtown Theater in Fiscal 2004.

General Capital Projects – 2004 Sales Tax Bonds

This is a new fund for the City. It is not perpetual as it is funded from the proceeds of a bond issued. As such, it has little revenue, and as of yet, little expenditure. It has a large unreserved fund balance of \$10.2 million, but this is the nature of a bond issue capital project fund. The money is borrowed for purposes of buying and/or building capital projects and the City will pay the bonds down over time, much like making home mortgage payments for an individual. As the cash is spent down, this fund will no longer be a major fund and will cease to exist when the original proceeds are all spent.

BUSINESS FUNDS

Utilities System Fund

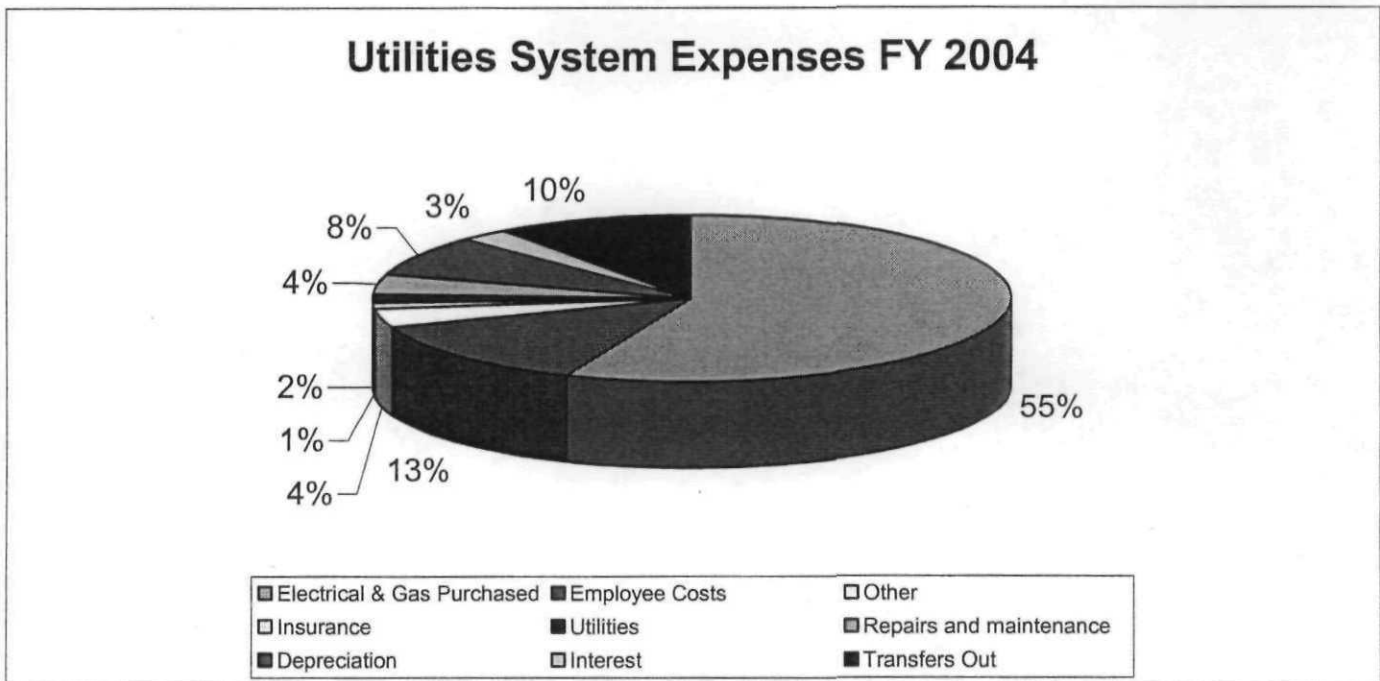
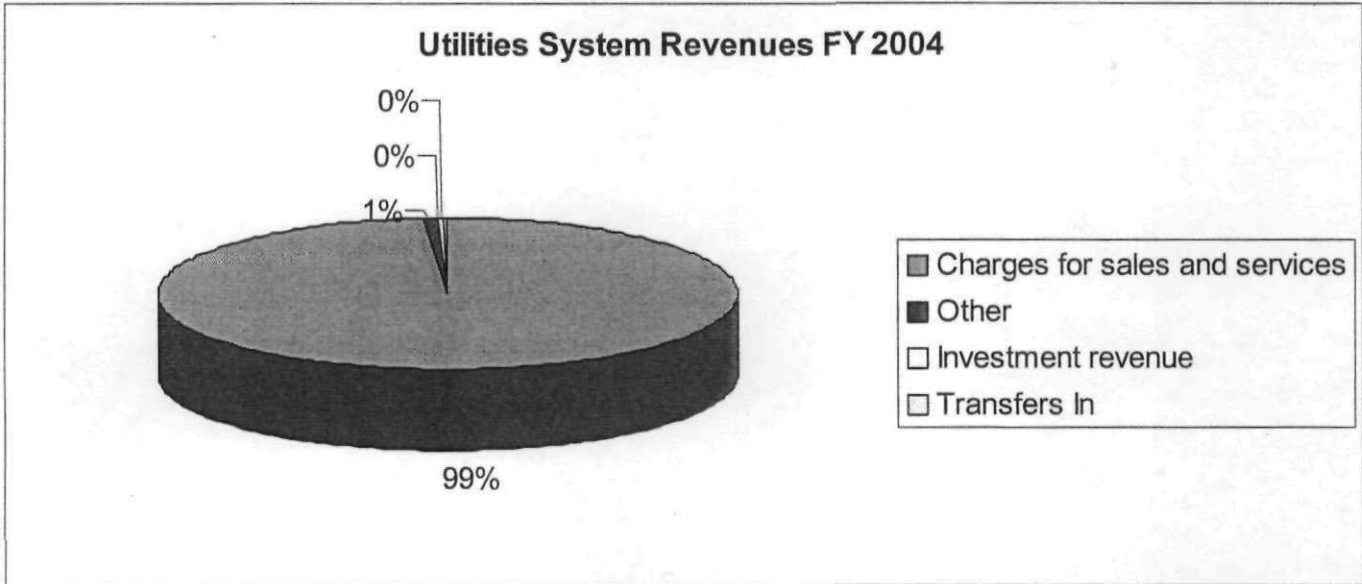
The Utilities System Fund is the largest of the City's proprietary funds, dwarfing the Sanitation Fund and Municipal Transit Fund. Revenues in the Utilities System are based on the sales of electricity, water, natural gas, and wastewater service to customers. These revenues, charges for services, are up \$5.5 million in FY 2004 over FY 2003. This is attributable to several factors in the different services. Electricity is up \$1.9 million, but this can be deceiving because of fuel cost recovery. The City does not benefit from fuel cost because that is simply the passing on of costs incurred by the City to its customers. That revenue account is up \$4.0 million dollars over fiscal 2003. Actual sales of electricity are down by \$2.2 million because of a relatively mild summer for central Louisiana in which electrical customers, particularly residential, did not have to use air conditioners as much as is usually the case. Gas revenue is up slightly from 2003, but this is also affected by fuel cost. The fuel cost recovery for gas is up \$1.7 million from Fiscal 2003 while sales are down by \$1.6 million due to a relatively mild winter reducing the demand for gas heat. Water revenues are up by \$2.1 million and wastewater revenues are up by \$1.5 million. This is due to the passing of a rate increase by the City Council effective 7/1/2003. Demand in these services stayed about the same, so the revenue increased and helped to offset the decrease in sales for electricity and gas.

Expenses rose by \$5.7 million in Fiscal 2004 over Fiscal 2003. Most of this increase, \$4.8 million, is the expense side of fuel cost, most of which has been or will be passed on to customers. The only other large increase over Fiscal 2003 is a transfer of \$1.0 million from the Utilities System Fund to the Employee Benefits Fund to provide it with needed cash.

See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

The results of the above were a net loss to the Utilities System Fund of \$4.5 million for Fiscal 2004. This is reflected as a reduction in total net assets.



See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Governmental Funds

The City had a net increase of over \$12 million in capital assets this year in governmental activities. These capital assets would include vehicles, equipment, as well as infrastructure, net of depreciation.

Business Type Funds

The Business-type funds showed a net decrease of about \$1,000,000 in capital assets this year. These would include vehicles and equipment as well as infrastructure assets. Infrastructure in the Utilities System consists of electrical substations, gas mains, wastewater lift stations, water tanks and other assets that enable the System to deliver service to its customers. These assets are listed net of depreciation. Depreciation is deducted from original cost to indicate the degree that the assets are "used up". Further information on Fixed Assets and Depreciation can be found in Note 7 of the financial statements.

Capital Assets (Net of Depreciation)

	<u>Governmental</u>		<u>Business</u>	
	2003	2004	2003	2004
Land	7,925,911	7,889,681	1,330,079	1,330,079
Construction in Progress	15,474,828	23,394,992	6,319,896	7,363,492
Buildings	57,276,028	59,701,507	940,875	903,327
Furniture & Fixtures	112,954	88,021	197,598	343,999
Equipment	3,917,514	3,936,913		
Vehicles	1,942,661	2,713,795	2,979,866	2,720,184
Infrastructure	41,925,714	43,390,396	92,336,534	90,477,925
 Net Capital Assets	 128,575,610	 141,115,305	 104,104,848	 103,139,006

In governmental activities, we see that Construction in Progress went up \$7.9 million in 2004, reflecting the rising number of projects ongoing in that area. This would be predominately infrastructure in nature, which for the City means street and drainage improvements. As these projects are completed, they will move down into the Infrastructure category.

In business activities, we see little change from 2003. Construction in Progress is up about \$1.0 million, and that nearly reflects the net change in capital assets and there is less acquisition in the business activities at the present time.

See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

Debt Administration

Governmental Funds

The City issued \$15,000,000 in new Sales Tax Bonds in 2004. These proceeds will be used to fund improvements in governmental activities such as streets and drainage.

Enterprise Funds

The City issued \$35,000,000 in Utility Revenue Bonds in 2004. This issue was a combination of old debt and new debt. Roughly \$19,000,000 of the proceeds went to older issues to get a better interest rate and extend pay back time, and roughly \$15,000,000 is new debt to fund improvements to the Utilities System. For further information on debt, please see Note 12 to the financial statements.

Bonded Long-Term Debt

	<u>Governmental</u>		<u>Business</u>	
	2003	2004	2003	2004
Sales Tax Revenue Bonds	4,905,000	18,485,000		
Ad Valorem Tax Bonds	5,815,000	5,510,000		
Certificates of Indebtedness	19,085,000	18,400,000	1,500,000	1,500,000
Utility Revenue Bonds			53,115,000	56,960,000
Total Outstanding Debt	29,805,000	42,395,000	54,615,000	58,460,000

FUTURE OUTLOOK

Looking into next year and beyond, there are some noteworthy facts. General Fund is very labor intensive; nearly 60% of its 2004 cost was for employee salaries and benefits. Pension contributions by the City on behalf of employees rose dramatically for Fiscal 2004, with at least one rising again for Fiscal 2005. The City contributes to 3 major systems, Municipal Police Employees' Retirement System, Municipal Firefighters' Employees Retirement System, and the City of Alexandria Employees' Retirement System (COAERS). Police and Fire affect only the General Fund, while COAERS affects all funds with employees, including Utilities System Fund. The Employee Benefits Fund continues to need deficit support from General Fund and Utilities System Fund to meet its obligations for employee health care. As noted in previously, each of these contributed over \$1 million for Fiscal 2004. At this point, there is no reason to assume costs will decrease under the present plan. The City is therefore exploring its options of how to reduce cost via increased premiums to employees and dependents, higher co-pays and deductibles, and the like. The City also minimized cost as noted previously by not filling vacant positions whenever practical. Long run improvements in the stock market will likely bring pension contributions back down to lower levels eventually, but deficit spending will be an ongoing concern in the General Fund, perhaps for a number of years.

See Independent Auditor's Report.

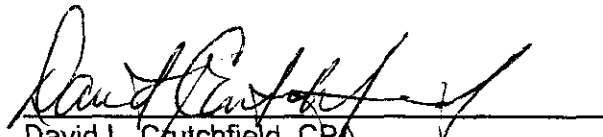
**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2004**

In business type activities, rate increases in water and wastewater helped the Utilities System but were offset by unusual decrease in sales of electricity and gas caused by mild weather. Decreased sales combined with the increased pension and health care cost contributed to the net loss in the Utilities System for the fourth consecutive year. Fixed cost in the Utilities System is substantial and remains an issue even when sales are comparatively low. If weather patterns return to relative normal, this imbalance should be self-correcting.

The City initiated a potentially great cost savings measure at the beginning of Fiscal 2005. The City chose to minimize its purchase of outside insurance coverage and to limit its own payment of claims. Louisiana Revised Statutes permit a local government to not pay claims in excess of its appropriations for them. The savings to the General Fund are estimated at over \$1 million and the savings to the Utilities System Fund are estimated at nearly \$.4 million. This will warrant close observation during the new fiscal year in order to see how well it works.

Contacting the Finance Division of the City

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



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

See Independent Auditor's Report.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

CITY OF ALEXANDRIA, LOUISIANA
STATEMENT OF NET ASSETS
APRIL 30, 2004

EXHIBIT A

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 4,528,435	\$ 400,068	\$ 4,928,503	\$ 505,672
Equity in pooled cash and investments	36,311,100	2,240,500	38,551,600	
Investments	2,675,955		2,675,955	226,035
Receivables, net	3,078,720	9,109,022	12,187,742	24,333
Internal balances	3,560,414	(3,560,414)	-	
Due from other governments	3,568,732	52,256	3,620,988	
Prepaid expenses	179,466		179,466	1,725
Inventories	193,006	1,680,654	1,873,660	
Restricted equity in pooled cash and investments		36,075,570	36,075,570	
Deferred bond issuance costs		919,006	919,006	
Capital assets				
Land, improvements, and construction in progress	31,284,673	8,693,571	39,978,244	
Other capital assets, net of depreciation	109,830,632	94,445,435	204,276,067	82,818
Total Assets	195,211,133	150,055,668	345,266,801	840,583
Liabilities				
Bank overdraft		69,524	69,524	
Accounts and contracts payable	2,195,709	2,873,098	5,068,807	18,741
Accrued expenses	4,133,676	1,280,493	5,414,169	11,202
Due to pension trust fund	111,895		111,895	
Due to other governments	17,530		17,530	
Deferred revenue	86,672		86,672	
Long-term liabilities				
Due within one year	2,848,715	4,670,040	7,518,755	2,662
Due in more than one year	45,012,716	57,446,592	102,459,308	12,047
Total Liabilities	54,406,913	66,339,747	120,746,660	44,652
Net Assets				
Invested in capital assets, net of related debt	130,441,925	59,593,934	190,035,859	68,109
Restricted for				
Construction	14,369,059	7,155,512	21,524,571	
Debt service	3,045,061	4,255,542	7,300,603	
Capital additions and contingencies		1,000,000	1,000,000	
Community and economic development	709,449		709,449	
Riverfront Center operations	392,310		392,310	
Recreation	10,100		10,100	
Other projects		150,000	150,000	
Unrestricted	(8,163,684)	11,560,933	3,397,249	727,822
Total Net Assets	\$ 140,804,220	\$ 83,715,921	\$ 224,520,141	\$ 795,931

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

CITY OF ALEXANDRIA, LOUISIANA
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2004

EXHIBIT B

Function/Program	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets		
	Operating Grants and Contributions		Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	Component Units
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
Primary Government							
Governmental Activities							
General government	\$ 9,238,088	\$ 2,824,134	\$ -	\$ (6,413,954)	\$ -	\$ (6,413,954)	
Public safety	18,745,156	152,867	1,306,412	(17,285,877)		(17,285,877)	
Public works	14,432,989	1,069,350	270,000	4,344,136	(8,749,503)	(8,749,503)	
Community and economic development	825,729	85,045	1,075,722	816,595	1,151,633	1,151,633	
Interest on long-term debt	1,841,761				(1,841,761)	(1,841,761)	
Total Governmental Activities	45,083,723	4,131,396	2,652,134	5,160,731	(33,139,462)	(33,139,462)	
Business-type Activities							
Electricity	44,810,944	51,688,151			6,877,207	6,877,207	
Natural gas	13,567,236	12,416,852			(1,150,384)	(1,150,384)	
Water	5,325,213	6,411,409			1,086,196	1,086,196	
Waste water	6,156,653	3,998,869			(2,157,784)	(2,157,784)	
Municipal bus line	2,390,627	292,564	597,786	368,469	(1,131,808)	(1,131,808)	
Sanitation	3,299,022	3,573,047			274,025	274,025	
Interest on long-term debt	2,092,280				(2,092,280)	(2,092,280)	
Total Business-type Activities	77,641,975	78,380,992	597,786	368,469	1,705,172	1,705,172	
Total Primary Government	\$ 122,725,698	\$ 82,512,288	\$ 3,249,920	\$ 5,529,200	(33,139,462)	(31,434,290)	
Component Units							
City marshal	\$ 165,936	\$ 237,768					\$ 71,832
City court	366,479	387,971					21,492
Total Component Units	\$ 532,415	\$ 625,739					93,324
General Revenues							
Sales taxes					27,883,123	27,883,123	
Ad valorem taxes					5,345,002	5,345,002	
Franchise taxes					240,987	240,987	
Hotel occupancy taxes					338,550	338,550	
Entitlements and shared revenues					116,639	116,639	
Unrestricted investment earnings					383,611	383,611	
Net gain (loss) on disposition of capital assets					(752,935)	(752,935)	
Miscellaneous					120,219	120,219	
Transfers					7,302,688	(7,302,688)	
Total General Revenues and Transfers					40,977,884	(6,938,159)	
Change in Net Assets					7,838,422	(5,232,987)	93,324
Net Assets, Beginning of Year					132,965,798	88,948,908	702,607
Net Assets, End of Year					\$ 140,804,220	\$ 83,715,921	\$ 795,931

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

FUND FINANCIAL STATEMENTS

CITY OF ALEXANDRIA, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2004

EXHIBIT C

		City Sales Tax	General Capital Projects	2004 Sales Tax General Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$	497,735	\$ 667,604	\$	\$ 1,177,555	\$ 4,372,680
Equity in pooled cash and investments				13,739,770	7,632,931	28,445,651
Investments			3,908,853		2,675,955	2,675,955
Receivables, net		212,330	281,553		495,747	2,790,407
Due from other funds		4,650,051	1,447,393		96,767	6,850,701
Due from other governments		1,148,749	2,234,543		185,440	3,568,732
Inventories		182,333			10,673	193,006
Total Assets	\$	9,855,295	\$ 8,539,946	\$ 13,739,770	\$ 12,275,068	\$ 48,897,132
Liabilities and Fund Balances						
Liabilities						
Accounts and contracts payable	\$	338,230	\$ 847,739	\$ 391,049	\$ 590,252	\$ 2,167,270
Accrued expense/other payables		924,213			3,424	927,637
Due to other funds		204,891	42,420	27,101	659,927	5,292,165
Due to other governments					17,530	17,530
Deferred revenue		269,002			238,052	507,054
Total Liabilities		1,736,336	890,159	418,150	1,509,185	8,911,656
Fund Balances						
Reserved						
Encumbrances			978,220	3,048,948	1,415,380	5,442,548
Debt service					2,915,834	2,915,834
Unreserved		8,118,959	6,671,567	10,272,672		25,192,425
Unreserved - reported in nonmajor						
Special revenue funds					1,111,859	1,111,859
Capital projects funds					5,303,892	5,303,892
Debt service funds					18,918	18,918
Total Fund Balances		8,118,959	7,649,787	13,321,620	10,765,883	39,985,476
Total Liabilities and Fund Balances	\$	9,855,295	\$ 8,539,946	\$ 13,739,770	\$ 12,275,068	\$ 48,897,132

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

CITY OF ALEXANDRIA, LOUISIANA
 RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL
 FUNDS TO GOVERNMENTAL ACTIVITIES REPORTED
 IN THE STATEMENT OF NET ASSETS
 APRIL 30, 2004

EXHIBIT D

Fund Balances - Governmental Funds	\$ 39,985,476
 Net Assets reported for <i>Governmental Activities</i> in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	141,115,305
Internal service funds are used by management to charge the costs of certain activities, such as risk management and employee benefits, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets	3,042,017
Internal balances due from <i>business-type activities</i> resulting from allocation of certain internal service costs are not reported in the funds	1,521,760
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds	
Bonds and certificates of indebtedness	(42,395,000)
Compensated absences	(2,291,431)
Accrued interest payable	(594,289)
Certain deferred revenues are reported in the funds but not in the Statement of Net assets	<u>420,382</u>
<u>Net Assets of Governmental Activities</u>	<u>\$ 140,804,220</u>

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

CITY OF ALEXANDRIA, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2004

EXHIBIT E

	General Fund	City Sales Tax	General Capital Projects	2004 Sales Tax General Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 2,132,542	\$ 21,820,303	\$ -	\$ -	\$ 3,791,997	\$ 27,744,842
Licenses and permits	1,991,329					1,991,329
Intergovernmental	8,003,700		3,606,850		1,454,488	13,065,038
Charges for services	1,126,528				248,949	1,375,477
Fines and fees	548,385					548,385
Investment revenue	52,452		94,107	12,752	140,765	300,076
Other	248,041		673,047		347,994	1,269,082
Total Revenues	<u>14,102,977</u>	<u>21,820,303</u>	<u>4,374,004</u>	<u>12,752</u>	<u>5,984,193</u>	<u>46,294,229</u>
Expenditures						
Current						
General government	8,214,242				465,577	8,679,819
Public safety	17,261,882					17,261,882
Public works	8,759,137				115,694	8,874,831
Community development					1,059,624	1,059,624
Debt service						
Principal	685,000				1,725,000	2,410,000
Interest and other charges	1,163,197			243,658	418,161	1,825,016
Capital outlay	1,963,919		14,217,366	1,447,474	3,239,103	20,867,862
Total Expenditures	<u>38,047,377</u>	<u>-</u>	<u>14,217,366</u>	<u>1,691,132</u>	<u>7,023,159</u>	<u>60,979,034</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(23,944,400)</u>	<u>21,820,303</u>	<u>(9,843,362)</u>	<u>(1,678,380)</u>	<u>(1,038,966)</u>	<u>(14,684,805)</u>
Other Financing Sources (Uses)						
Sales tax bonds issued				15,000,000		15,000,000
Transfers in	22,270,348		4,931,610		1,259,183	28,461,141
Transfers (out)	(1,207,672)	(21,829,116)	(306,455)		(74,713)	(23,417,956)
Total Other Financing Sources (Uses)	<u>21,062,676</u>	<u>(21,829,116)</u>	<u>4,625,155</u>	<u>15,000,000</u>	<u>1,184,470</u>	<u>20,043,185</u>
Change in Fund Balances	<u>(2,881,724)</u>	<u>(8,813)</u>	<u>(5,218,207)</u>	<u>13,321,620</u>	<u>145,504</u>	<u>5,356,380</u>
Fund Balances, Beginning of Year	<u>11,000,683</u>	<u>138,040</u>	<u>12,867,994</u>		<u>10,620,379</u>	<u>34,627,096</u>
Fund Balances, End of Year	<u>\$ 8,118,959</u>	<u>\$ 129,227</u>	<u>\$ 7,649,787</u>	<u>\$ 13,321,620</u>	<u>\$ 10,765,883</u>	<u>\$ 39,955,476</u>

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

CITY OF ALEXANDRIA, LOUISIANA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO GOVERNMENTAL ACTIVITIES REPORTED IN THE
 STATEMENT OF NET ASSETS
 YEAR ENDED APRIL 30, 2004

EXHIBIT F

Net Change in Fund Balances - Governmental Funds \$ 5,358,380

The change in net assets for *governmental activities* in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Capital outlay reported in the funds	18,836,858
Depreciation reported in the Statement of Activities	(5,545,438)

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed.

(752,935)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

(15,000,000)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

2,410,000

Internal service funds are used by management to charge the costs of *certain activities, such as risk management and employee benefits*, to individual funds. The net revenue (expenses) of these internal service funds are included in governmental activities in the Statement of Activities

1,473,440

Certain timing differences exist between the recognition of revenue and expenditures in the governmental funds and the recognition of revenue and expenses in the Statement of Activities

Deferred revenue	238,052
Interest expense	(16,745)
Claims and judgments	742,242
Compensated absences	94,568
	94,568

Change in Net Assets - Governmental Activities **\$ 7,838,422**

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

CITY OF ALEXANDRIA, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
APRIL 30, 2004

EXHIBIT G

	Enterprise Funds			Internal Service Funds
	Utilities System	Other Enterprise Funds	Total Enterprise Funds	
Assets				
Current Assets				
Cash and cash equivalents	\$ 362,182	\$ 37,886	\$ 400,068	\$ 155,755
Equity in pooled cash and investments	1,303,120	937,380	2,240,500	7,865,449
Receivables - net	8,904,993	204,029	9,109,022	288,313
Prepaid expenses				179,467
Due from other funds		168,968	168,968	368,292
Due from other governments		52,256	52,256	
Inventories	1,680,654		1,680,654	
Totals	<u>12,250,949</u>	<u>1,400,519</u>	<u>13,651,468</u>	<u>8,857,276</u>
Noncurrent Assets				
Restricted equity in pooled cash and investments	36,075,570		36,075,570	
Capital Assets				
Property, plant, and equipment	201,332,816	6,695,865	208,028,681	22,598
Accumulated depreciation	(101,426,443)	(3,463,232)	(104,889,675)	(21,388)
Deferred bond issuance costs	919,006		919,006	
Totals	<u>136,900,949</u>	<u>3,232,633</u>	<u>140,133,582</u>	<u>1,210</u>
Total Assets	149,151,898	4,633,152	153,785,050	8,858,486
Liabilities				
Current Liabilities				
Bank overdraft		69,524	69,524	
Accounts payable	2,462,709	134,072	2,596,781	28,439
Due to other funds	2,078,069	129,553	2,207,622	70
Accrued expenses/other current liabilities	492,381	73,483	565,864	10,299
Certificates of indebtedness/capitalized leases	155,191		155,191	
Estimated liability for claims incurred			-	2,601,451
Totals	<u>5,188,350</u>	<u>406,632</u>	<u>5,594,982</u>	<u>2,640,259</u>
Liabilities Payable from Restricted Assets				
Accounts and contracts payable	276,317		276,317	
Customer guaranteed deposits	3,436,834		3,436,834	
Interest	886,708		886,708	
Revenue bonds	4,365,000		4,365,000	
Totals	<u>8,964,859</u>	<u>-</u>	<u>8,964,859</u>	<u>-</u>
Noncurrent Liabilities				
Compensated absences	849,141	125,969	975,110	
Certificates of indebtedness	1,370,000		1,370,000	
Capitalized lease obligations	24,361		24,361	
Estimated liability for claims incurred				3,175,000
Revenue bonds	51,618,057		51,618,057	
Totals	<u>53,861,559</u>	<u>125,969</u>	<u>53,987,528</u>	<u>3,175,000</u>
Total Liabilities	68,014,768	532,601	68,547,369	5,815,259
Net Assets				
Invested in capital assets, net of related debt	56,361,301	3,232,633	59,593,934	1,210
Restricted for				
Debt service	4,255,542		4,255,542	
Capital additions and contingencies	1,000,000		1,000,000	
Special projects	150,000		150,000	
Construction	7,155,512		7,155,512	
Unrestricted	12,214,775	867,918	13,082,693	3,042,017
Total Net Assets	\$ 81,137,130	\$ 4,100,551	\$ 85,237,681	\$ 3,043,227

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

CITY OF ALEXANDRIA, LOUISIANA
RECONCILIATION OF NET ASSETS FOR ENTERPRISE FUNDS
REPORTED IN THE STATEMENT OF NET ASSETS OF PROPRIETARY FUNDS
TO NET ASSETS FOR *BUSINESS-TYPE ACTIVITIES* REPORTED
IN THE STATEMENT OF NET ASSETS
APRIL 30, 2004

EXHIBIT H

Net Assets of Enterprise Funds	\$ 85,237,681
Net assets reported for <i>business-type activities</i> in the Statement of Net Assets are different because:	
Internal balances due to governmental activities resulting from allocation of certain internal service fund costs to business-type activities	<u>(1,521,760)</u>
<u>Net Assets of Business-type Activities</u>	<u>\$ 83,715,921</u>

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

CITY OF ALEXANDRIA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2004

EXHIBIT I

	Enterprise Funds			Internal Service Funds
	Utilities System	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues				
Charges for sales and services	\$ 74,074,697	\$ 3,854,069	\$ 77,928,766	\$ 7,620,652
Other	440,584	11,542	452,126	468,801
Totals	74,515,281	3,865,611	78,380,892	8,089,453
Operating Expenses				
Electricity and natural gas purchased for resale	44,904,455		44,904,455	
Disposal costs		1,082,270	1,082,270	
Salaries	7,856,040	1,846,736	9,702,776	39,657
Employee benefits	2,369,773	556,578	2,926,351	8,203
Contracted services	843,760	114,845	958,605	535,947
Supplies	703,376	96,976	800,352	3,402
Vehicle expenses	378,621	661,263	1,039,884	1,381
Communications	167,153	1,674	168,827	160
Payments in lieu of insurance	963,066	675,319	1,638,385	
Insurance				1,952,710
Claims incurred				6,897,387
Utilities	1,432,735		1,432,735	
Repairs and maintenance	3,049,466	10,500	3,059,966	5,873
Depreciation	6,120,478	430,288	6,550,766	574
Other expenses	763,252	34,145	797,397	1,256
Totals	69,552,175	5,510,594	75,062,769	9,446,550
Operating Income (Loss)	4,963,106	(1,644,983)	3,318,123	(1,357,097)
Nonoperating Revenues (Expenses)				
Investment revenue	328,885	7,352	336,237	83,535
Federal and state grants		753,813	753,813	
Gain (Loss) on sale of assets	25,394	2,898	28,292	
Interest expense and fiscal charges	(2,092,280)		(2,092,280)	
Totals	(1,738,001)	764,063	(973,938)	83,535
Income (Loss) Before Contributions and Transfers	3,225,105	(880,920)	2,344,185	(1,273,562)
Capital Contributions	-	212,442	212,442	-
Transfers In (Out)				
Transfers in	169,992	1,355,819	1,525,811	2,259,503
Transfers (out)	(7,877,727)	(950,773)	(8,828,500)	
Totals	(7,707,735)	405,046	(7,302,689)	2,259,503
Change in Net Assets	(4,482,630)	(263,432)	(4,746,062)	985,941
Net Assets, Beginning of Year	85,619,760	4,363,983	89,983,743	2,057,286
Net Assets, End of Year	\$ 81,137,130	\$ 4,100,551	\$ 85,237,681	\$ 3,043,227

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

CITY OF ALEXANDRIA, LOUISIANA
RECONCILIATION OF CHANGE IN NET ASSETS FOR ENTERPRISE FUNDS
REPORTED IN THE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS TO NET ASSETS FOR
BUSINESS-TYPE ACTIVITIES REPORTED IN THE STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2004

EXHIBIT J

Change in Net Assets - Enterprise Funds \$ (4,746,062)

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

Certain internal service costs are allocated to business-type activities (486,925)

Change in Net Assets of Business-type Activities **\$ (5,232,987)**

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

CITY OF ALEXANDRIA, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2004

EXHIBIT K
(Continued)

	Enterprise Funds			Internal Service Funds
	Utilities System	Other Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities				
Receipts from customers	\$ 74,455,797	\$ 3,835,687	\$ 78,291,484	\$
Internal activity - receipts from other funds	1,113,594		1,113,594	8,532,502
Other receipts	440,584		440,584	1,805,652
Payments to employees	(7,786,959)	(1,844,169)	(9,631,128)	(38,773)
Payments to vendors and others	(52,311,853)	(1,864,202)	(54,176,055)	(9,858,664)
Internal activity - payments to other funds	(2,100,628)	(1,369,219)	(3,469,847)	(7,584)
Net Cash Provided (Used) by Operating Activities	13,810,535	(1,241,903)	12,568,632	433,133
Cash Flows from Noncapital Financing Activities				
Bank overdraft		67,935	67,935	
Prepaid assets			-	(179,467)
Government operating subsidies		744,973	744,973	
Operating subsidies and transfers to other funds	(8,136,575)	617,883	(7,518,692)	(143,698)
Net Cash Provided (Used) by Noncapital Financing Activities	(8,136,575)	1,430,791	(6,705,784)	(323,165)
Cash Flows from Capital and Related Financing Activities				
Proceeds from capital debt	36,549,552		36,549,552	
Capital contributions		212,442	212,442	
Interest received on construction funds	139,712		139,712	
Proceeds from sale of capital assets	25,571	3,440	29,011	
Purchase of capital assets	(5,248,092)	(464,265)	(5,712,357)	(1,210)
Principal paid on capital debt	(32,333,022)		(32,333,022)	
Interest paid on capital debt	(2,015,434)		(2,015,434)	
Bond issuance costs	(172,867)		(172,867)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,054,580)	(248,383)	(3,302,963)	(1,210)
Cash Flows from Investing Activities				
Net change in equity in pooled cash and investments	(4,030,679)	71,496	(3,959,183)	(844,495)
Interest received on operating funds	189,173	7,352	196,525	83,535
Net Cash Provided (Used) by Investing Activities	(3,841,506)	78,848	(3,762,658)	(760,960)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,222,126)	19,353	(1,202,773)	(652,202)
Cash and Cash Equivalents, Beginning of Year	1,584,308	18,533	1,602,841	807,957
Cash and Cash Equivalents, End of Year	<u>\$ 362,182</u>	<u>\$ 37,886</u>	<u>\$ 400,068</u>	<u>\$ 155,755</u>

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

**CITY OF ALEXANDRIA, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2004**

**EXHIBIT K
(Concluded)**

	Enterprise Funds			Internal Service Funds
	Utilities System	Other Enterprise Funds	Total Enterprise Funds	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 4,963,106	\$ (1,644,983)	\$ 3,318,123	\$ 902,406
Adjustments to reconcile operating income (loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	6,120,478	430,288	6,550,766	574
Provision for doubtful accounts	1,237,617	11,645	1,249,262	
Net book value of fixed assets written off	89,257		89,257	
Changes in assets and liabilities				
Receivables	257,077	(11,924)	245,153	(10,802)
Inventories	189,539		189,539	
Accounts payable	758,812	(29,496)	729,316	7,921
Accrued expenses and other current liabilities	264,357	44,722	309,079	411
Estimated liability for claims incurred			-	(467,850)
Compensated absences	(174,704)	(42,155)	(216,859)	473
Customer guaranteed deposits	104,996		104,996	
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 13,810,535</u>	<u>\$ (1,241,903)</u>	<u>\$ 12,568,632</u>	<u>\$ 433,133</u>

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

**CITY OF ALEXANDRIA, LOUISIANA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
APRIL 30, 2004**

EXHIBIT L

	Pension Trust Funds			Total
	City Employees' Retirement System (12/31/03)	Firemen's Pension And Relief Fund	Policemen's Pension And Relief Fund	
Assets				
Cash	\$ 4,197,886	\$ 1,427	\$ 5,836	\$ 4,205,149
Accrued interest and dividends receivable	463,108		103	463,211
Due from other funds			111,895	111,895
Investments, at fair value				-
Corporate bonds	17,717,804			17,717,804
Corporate stocks	36,102,898			36,102,898
U. S. government obligations	4,713,449			4,713,449
U. S. government agencies obligations	6,688,549			6,688,549
GNMA mortgage notes	239,320			239,320
Certificates of deposit		82,861	100,043	182,904
Furniture, fixtures, and equipment - net	43			43
Total Assets	70,123,057	84,288	217,877	70,425,222
Liabilities				
Payroll taxes withheld	480			480
Net Assets				
<u>Held in trust for pension benefits</u>	<u>\$ 70,122,577</u>	<u>\$ 84,288</u>	<u>\$ 217,877</u>	<u>\$ 70,424,742</u>

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

CITY OF ALEXANDRIA, LOUISIANA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED APRIL 30, 2004

EXHIBIT M

	<i>Pension Trust Funds</i>			Total
	City Employees' Retirement System (12/31/03)	Firemen's Pension And Relief Fund	Policemen's Pension And Relief Fund	
Additions				
Contributions				
Employer	\$ 2,734,983	\$ 30,000	\$ 16,394	\$ 2,781,377
Plan members	1,427,678			1,427,678
Total Contributions	4,162,661	30,000	16,394	4,209,055
Investment income				
Interest	1,827,443	1,560	1,639	1,830,642
Dividends	638,927			638,927
Net appreciation (depreciation) in fair value of investments	6,723,079			6,723,079
Total Investment Earnings (Loss)	9,189,449	1,560	1,639	9,192,648
Total Additions	13,352,110	31,560	18,033	13,401,703
Deductions				
Plan benefits	5,002,627	34,273	18,033	5,054,933
Refunds/transfers of contributions	589,412			589,412
Administrative expenses	134,382			134,382
Total Deductions	5,726,421	34,273	18,033	5,778,727
Change in Net Assets	7,625,689	(2,713)	-	7,622,976
Net Assets, Beginning of Year	62,496,888	87,001	217,877	62,801,766
<u>Net Assets, End of Year</u>	<u>\$ 70,122,577</u>	<u>\$ 84,288</u>	<u>\$ 217,877</u>	<u>\$ 70,424,742</u>

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

NOTES TO FINANCIAL STATEMENTS

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. The Financial Reporting Entity

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

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

Discretely Presented Component Units. The component unit columns in the government-wide statements of net assets and of activities include the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City Marshal and the City Judge are elected by the voters of the City of Alexandria. The financial statements of each of these entities are included as of their respective fiscal years ended September 30, 2003.

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

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

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

Administrative Offices:

Alexandria City Marshal
515 Washington Street
Alexandria, Louisiana

Alexandria City Court
515 Washington Street
Alexandria, Louisiana

B. Basis of Presentation and Accounting

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

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

Government Wide Financial Statements (GWFS)

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

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

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

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

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

Fund Financial Statements

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

GOVERNMENTAL FUNDS

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

The major governmental funds are:

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

Revenue Recognition

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

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

Expenditure Recognition

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

PROPRIETARY FUNDS

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

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

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

The City maintains three internal service funds as follows:

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

FIDUCIARY FUNDS

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

- City Employees' Retirement System Fund is used to accumulate resources for retirement benefits for City employees covered under the plan.

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

- Firemen's Pension And Relief Fund is used to account for benefits paid to members of this plan. The City is required to contribute an amount sufficient to meet any deficit of the Fund without regard for reserve requirements accruing on an actuarial basis.
- Policemen's Pension And Relief Fund is used to account for benefits paid to members of this plan. Members are not required to contribute to the Fund. The City is required to contribute *an amount sufficient to meet any deficit of the Fund without regard for reserve requirements* accruing on an actuarial basis.

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

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

C. Budgets and Budgetary Accounting

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

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

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

D. Encumbrances

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

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

E. Cash and Cash Equivalents; Investments

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

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

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

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

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

G. Inventories

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

H. Restricted Assets

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

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

I. Capital Assets and Depreciation

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

In the Government-Wide Financial Statements, capital assets, including general capital assets are capitalized and depreciated on a straight-line basis over their estimated useful lives. Public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are capitalized. The valuation basis for capital assets is historical cost, or when historical cost is not available, estimated historical cost. Donated capital assets are valued at estimated fair value on date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000 or infrastructure capital assets with a total cost greater than \$250,000.

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Interest capitalized during the current period totaled \$11,945.

J. Bond Issuance Costs

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

K. Compensated Absences

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

L. Long-term Liabilities

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

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

M. Supplemental Wages

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

N. Interfund Transactions

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

O. Estimates

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

2. CASH AND CASH EQUIVALENTS; EQUITY IN POOLED CASH AND INVESTMENTS; AND INVESTMENTS

Cash and cash equivalents – governmental and business-type activities

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

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

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

Cash in interest-bearing demand deposits	\$ 26,551,600
Certificates of deposit with maturities of less than one year	<u>12,000,000</u>
	\$ 38,551,600

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

Investments – governmental and business-type activities

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

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

Cash and equivalents – employee retirement plans

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

Investments – employee retirement plans

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

Investment Type	Fair Value	Less than 1	Investment Maturities (In Years)		
			1 – 5	6 – 10	More than 10
Corporate bonds	\$ 17,717,804	\$ 855,303	\$ 543,882	\$ 497,839	\$ 15,820,780
U. S. government obligations	207,563	207,563			
Zero Coupon Treasury receipts	4,505,886	683,631		1,511,746	2,310,509
U. S. agencies obligations	6,688,549	2,543,757	1,343,004	282,704	2,519,084
GMNA mortgage notes	239,320				239,320
<i>Total interest-bearing</i>	29,359,122	\$ 4,290,254	\$ 1,886,886	\$ 2,292,289	\$ 20,889,693
Corporate stocks	36,102,898				
	\$ 65,462,020				

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

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

Custodial Credit Risk: For an investment, custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. At year-end, the employee retirement plans' certificates of deposit included in investments were covered by depository insurance or collateral held by the plans or the plans' agents in the plans' name, except for \$43, which was uncollateralized. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All other investments are held by the plan or its agents in the plan's name.

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

3. RECEIVABLES

Receivables as shown in the Fund Financial Statements, at April 30, 2004, consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Internal Service Funds</u>	<u>Totals</u>
Taxes - ad valorem	\$ 65,219	\$	\$	\$ 65,219
Taxes - sales	1,800,777			1,800,777
Accounts				
Uncollected cycle billings		7,025,905		7,025,905
Estimated unbilled services		3,670,197		3,670,197
Interest and dividends	9,472			9,472
Other	<u>2,843,957</u>	<u>14,920</u>	<u>288,313</u>	<u>3,147,190</u>
Gross receivables	4,719,425	10,711,022	288,313	15,718,760
Allowance for uncollectibles	<u>(1,929,018)</u>	<u>(1,602,000)</u>	<u></u>	<u>(3,531,018)</u>
Net receivables	<u>\$ 2,790,407</u>	<u>\$ 9,109,022</u>	<u>\$ 288,313</u>	<u>\$ 12,187,742</u>

Ad valorem taxes attach as an enforceable lien on property as of January 1st of each year. Taxes are levied by the City normally in October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1st of the following year. Revenues from ad valorem taxes are budgeted in the year billed. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Rapides Parish.

For the year ended April 30, 2004, taxes of 20.23 mills were levied on property with assessed values totaling \$259,025,709 and were dedicated as follows:

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

Total taxes levied were \$5,240,090 of which \$65,219, representing current taxes, remained uncollected at April 30, 2004.

Receivables arising from utility services provided to customers consist of uncollected billings rendered customers on monthly cycle billings and estimated services provided customers between billing cycles. The allowance for uncollectible accounts includes \$1,602,000, which represents the projected uncollectible utility accounts at April 30, 2004.

4. DUE FROM OTHER GOVERNMENTS

Due from other governments as shown in the Fund Financial Statements, at April 30, 2004, consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Totals</u>
<i>Intergovernmental</i>			
Federal	\$ 244,491	\$ 34,343	\$ 278,834
State	2,655,165	17,913	2,673,078
Local	<u>669,076</u>	<u></u>	<u>669,076</u>
	<u>\$ 3,568,732</u>	<u>\$ 52,256</u>	<u>\$ 3,620,988</u>

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

5. DUE FROM/TO OTHER FUNDS AND TRANSFERS

Amounts due from and to other funds as reported in the fund financial statements, at April 30, 2004, consist of the following:

Receivable Fund	Payable Fund	Amount
General	City Sales Tax	\$ 2,872,848
General	Community Development Block Grant	1,340
General	Home Investment Partnership Program	1,137
General	Utilities System	1,653,085
General	Metro Share Program	607
General	Sanitation	48,286
General	Municipal Bus Line	72,678
General	Risk Management	70
City Sales Tax	Debt Service	656,490
Community Development	Home Investment Partnership Program	353
Community Development	Utilities System	765
General Capital Projects	City Sales Tax	1,416,429
General Capital Projects	Utilities System	30,964
Debt Service	2004 Sales Tax General Capital Projects	<u>95,649</u>
Total Governmental Funds		6,850,701
Municipal Bus Line	Utilities System	111,532
Municipal Bus Line	General Capital Projects	42,420
Sanitation	Utilities System	<u>15,016</u>
Total Enterprise Funds		168,968
Employee Benefits Insurance	General Fund	92,996
Employee Benefits Insurance	Utilities System	266,707
Employee Benefits Insurance	Sanitation	8,489
Employee Benefits Insurance	Municipal Bus Line	<u>100</u>
Total Internal Service Funds		368,292
Policemen's Pension & Relief Fund	General	<u>111,895</u>
Total Fiduciary Funds		<u>111,895</u>
Total Due From/To Other Funds		\$ 7,499,856

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

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

Transfers, for the year ending April 30, 2004, shown in the fund financial statements were as follows:

Transfers in	Transfers out	Amount
General	City Sales Tax	\$ 16,365,012
General	Community Development Block Grant	62,239
General	Home Investment Partnership Program	3,046
General	Utilities System	5,162,339
General	Sanitation	421,778
General	Municipal Bus Line	255,934
General Capital Projects	City Sales Tax	4,560,042
General Capital Projects	Utilities System	371,568
Community Development	Utilities System	19,127
Home Investment Partnership Program	Hotel Economic Development	9,428
Youth Recreation	General	30,000
Riverfront Center	General	25,000
1993 Streets & Drainage Property tax	General Capital Projects	271,568
Debt Service	City Sales Tax	<u>904,060</u>
Total Governmental Funds		28,461,141
Utilities System	Sanitation	130,362
Utilities System	Municipal Bus Line	39,630
Municipal Bus Line	Utilities System	1,284,216
Municipal Bus Line	General Capital Projects	34,887
Sanitation	General	<u>36,716</u>
Total Enterprise Funds		1,525,811
Employee Benefits Insurance	General	1,115,956
Employee Benefits Insurance	Utilities System	1,040,478
Employee Benefits Insurance	Sanitation	101,870
Employee Benefits Insurance	Municipal Bus Line	<u>1,199</u>
Total Internal Service Funds		2,259,503
Total Transfers		\$ 32,246,455

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

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

6. RESTRICTED ASSETS

At April 30, 2004, restricted assets of the Utility System Enterprise Fund consist of equity in pooled cash and investments totaling \$36,075,570 as follows:

Revenue bond current debt service	\$ 5,251,708
Customers' deposits	3,436,835
Special Projects	150,000
Revenue bond reserve	4,255,542
Revenue bond capital additions and Contingencies	1,000,000
Utilities capital projects	<u>21,981,485</u>
	\$ 36,075,570

7. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended April 30, 2004, was as follows.

	<u>Balance</u> <u>May 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>April 30, 2004</u>
Government Activities				
Capital assets not being depreciated				
Land and land improvements	\$ 7,925,911	\$	\$ (36,230)	\$ 7,889,681
Construction in progress	<u>15,474,828</u>	<u>12,269,868</u>	<u>(4,349,704)</u>	<u>23,394,992</u>
Total Capital Assets not Being Depreciated	23,400,739	12,269,868	(4,385,934)	31,284,673
Other capital assets				
Buildings and improvements	72,833,783	4,393,990		77,227,773
Furniture and fixtures	898,722	11,703	(1,592)	908,833
Equipment	11,031,423	1,213,374	(92,218)	12,152,579
Vehicles	8,280,117	1,387,958	(479,151)	9,188,924
Infrastructure	<u>58,644,821</u>	<u>3,932,267</u>	<u>(700,000)</u>	<u>61,877,088</u>
Total Other Capital Assets	151,688,866	10,939,292	(1,272,961)	161,355,197
Accumulated depreciation				
Buildings and improvements	(15,557,755)	(1,968,511)		(17,526,266)
Furniture and fixtures	(785,768)	(36,636)	1,592	(820,812)
Equipment	(7,113,909)	(1,180,817)	79,060	(8,215,666)
Vehicles	(6,337,456)	(592,463)	454,790	(6,475,129)
Infrastructure	<u>(16,719,107)</u>	<u>(1,767,585)</u>		<u>(18,486,692)</u>
Total Accumulated Depreciation	<u>(46,513,995)</u>	<u>(5,546,012)</u>	<u>535,442</u>	<u>(51,524,565)</u>
Other Capital Assets, Net	<u>105,174,871</u>	<u>5,393,280</u>	<u>(737,519)</u>	<u>109,830,632</u>
Governmental Activities Capital Assets, Net	<u>\$128,575,610</u>	<u>\$ 17,663,148</u>	<u>\$(5,123,453)</u>	<u>\$141,115,305</u>

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

Depreciation was charged to functions as follows:

Governmental Activities		
General government		\$ 836,422
Public safety		1,228,779
Public works		3,472,215
Community development		<u>8,596</u>
Total Depreciation Expense for Governmental Activities		<u>\$ 5,546,012</u>

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

Estimations of useful lives are as follows:

Streets	40 years
Drainage	25 years
Traffic Signals	25 years

	<u>Balance</u> <u>May 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>April 30, 2004</u>
Business Type Activities				
Assets not being depreciated				
Land	\$ 1,330,079	\$	\$	\$ 1,330,079
Construction in progress	<u>6,319,896</u>	<u>3,347,080</u>	<u>(2,303,484)</u>	<u>7,363,492</u>
Total Assets not Being Depreciated	7,649,975	3,347,080	(2,303,484)	8,693,571
Other Capital Assets				
Plant and equipment	186,025,107	3,657,398	(1,819,232)	187,863,273
Buildings and improvements	1,506,027			1,506,027
Vehicles and buses	8,784,521	664,185	(198,537)	9,250,169
Furniture, fixtures and equipment	<u>499,457</u>	<u>220,464</u>	<u>(4,280)</u>	<u>715,641</u>
Total Other Capital Assets	196,815,112	4,542,047	(2,022,049)	199,335,110
Accumulated Depreciation				
Plant and equipment	(93,688,573)	(5,714,367)	2,017,592	(97,385,348)
Buildings and improvements	(565,152)	(37,548)		(602,700)
Vehicles and buses	(5,804,655)	(725,330)		(6,529,985)
Furniture, fixtures and equipment	<u>(301,859)</u>	<u>(73,521)</u>	<u>3,738</u>	<u>(371,642)</u>
Total Accumulated Depreciation	<u>(100,360,239)</u>	<u>(6,550,766)</u>	<u>2,021,330</u>	<u>(104,889,675)</u>
Other Capital Assets, Net	<u>96,454,873</u>	<u>(2,008,719)</u>	<u>(719)</u>	<u>94,445,435</u>
 Net Capital Assets	 <u>\$104,104,848</u>	 <u>\$ 1,338,361</u>	 <u>\$(2,304,203)</u>	 <u>\$103,139,006</u>

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

Depreciation was charged to functions as follows:

Business Type Activities	
Electricity	\$ 2,500,008
Natural gas	1,223,740
Water	943,137
Waste water	1,453,593
Municipal bus line	374,857
Sanitation	<u>55,431</u>
Total Depreciation Expense for Business Type Activities	\$ 6,550,766

The Utilities System depreciation expense above includes \$409,491, which is reflected in overhead in the operating statements.

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

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

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

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitment</u>	<u>Required Further Financing</u>
Utilities System Enterprise Fund				
Electric	\$ 5,523,115	\$ 2,524,849	\$ 780,413	None
Gas	954,303	675,226	34,119	None
Water	10,382,480	1,454,474	557,037	None
Wastewater	13,205,003	2,454,657	1,322,218	None
General and administrative	<u>4,261,866</u>	<u>2,557,769</u>	<u>393,028</u>	None
	\$ 34,326,767	\$ 9,666,975	3,086,815	

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City employs a Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage up to the maximum amounts indicated in the following table. The City purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims did not exceed this commercial coverage for the fiscal year ended April 30, 2004.

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

	Loss Retained	
	Each Occurrence	In Aggregate
General liability / Law enforcement liability	\$150,000	\$3,000,000
Automobile liability	150,000	1,000,000
Workers' compensation	500,000	Statutory
Public officials and employees liability	150,000	2,000,000
Property damage	100,000	(*)

(*) \$150,000,000 per occurrence with specified sub-limits

All funds of the City participate in the program and make payments to the Risk Management Fund based upon actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$5,349,000 as of April 30, 2004, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City has elected to record the liability on the discounted basis.

Changes in the Fund's claims liability amount in the fiscal year ending April 30, 2004, were as follows:

Balance, beginning of the year	\$ 5,496,000
Current year claims and changes in estimates	1,429,405
Claims payments	<u>(1,576,105)</u>
Balance, end of the year	\$ 5,349,000

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

9. EMPLOYEE BENEFITS INSURANCE

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

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

All funds of the City and covered employees participate in the program and make payments to the *Employee Benefits Insurance Fund* based on estimates of the amount needed to pay current year claims. The claims liability of \$427,451 reported in the Fund at April 30, 2004, is based upon the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in the fiscal year ending April 30, 2004, were as follows:

Balance, beginning of the year	\$ 634,901
Current year claims and changes in estimates	5,100,846
Claims payments	<u>(5,308,296)</u>
Balance, end of the year	\$ 427,451

10. UNEMPLOYMENT BENEFITS

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

During the year ended April 30, 2004, no payments were paid to the Unemployment Benefits Fund. Management believes that sufficient investments are available in the Unemployment Benefits Fund to pay claims from investment earnings. Claims incurred as of April 30, 2004, are considered immaterial and are not included in this report.

11. ACCRUED EXPENSES

At year-end, accrued expenses reported in the Statement of Net Assets consisted of:

	Governmental Activities	Business-type Activities	Total
Accrued payroll	\$ 507,587	\$ 280,992	\$ 788,579
Accrued interest expense	594,289	909,963	1,504,252
Claims payable	2,601,451		2,601,451
Payroll taxes and withholding	423,962		423,962
Sales taxes payable		76,090	76,090
Other	<u>6,387</u>	<u>13,448</u>	<u>19,835</u>
	<u>\$ 4,133,676</u>	<u>\$ 1,280,493</u>	<u>\$ 5,414,169</u>

12. LONG-TERM LIABILITIES

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

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

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

A summary of long-term debt, as of April 30, 2004, follows:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>
Governmental activities				
General Obligation				
Sales tax revenue bonds				
1997 refunding	2005	4.70	\$	\$ 805,000
2002 refunding	2005 - 2008	2.00 - 2.50		2,680,000
2002 Issue	2005 - 2024	2.50 - 5.00		15,000,000
Ad valorem tax bonds	2005 - 2016	4.60 - 8.00		5,510,000
Certificates of indebtedness				
Series 1998 A & B - refunding	2005 - 2014	4.65 - 6.00		3,070,000
Series 1998 C - refunding	2005 - 2022	5.75 - 6.85		15,330,000
Compensated absences				2,291,431
Risk Management Claims				3,175,000
Business-type activities				
Enterprise Funds				
Utilities System revenue bonds				
1993 refunding	2005	4.50 - 5.00	750,000	
1995 capital additions	2005 - 2006	5.00 - 6.75	1,380,000	
2002 refunding	2005 - 2009	3.00 - 4.00	11,380,000	
2003 refunding	2005 - 2014	2.00 - 3.625	8,450,000	
2004 A capital additions	2005 - 2034	2.25 - 5.00	15,490,000	
2004 B refunding	2005 - 2021	2.25 - 5.00	19,510,000	
Capitalized lease obligations	2005 - 2006		49,552	
Certificates of indebtedness				
Series 2004 - capital additions	2005 - 2013	1.25 - 4.15	1,500,000	
Customer guaranteed deposits			3,436,834	
Compensated absences			1,147,189	
Totals			63,093,575	47,861,431
Current portion			(4,670,040)	(2,848,715)
Totals			\$ 58,423,535	\$ 45,012,716
Deferred loss on Revenue Bonds 2003 B refunding			(976,943)	
Totals			\$ 57,446,592	

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

During the year ended April 30, 2004, the following changes occurred in governmental activities long-term liabilities:

	<u>Balance 05/01/03</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 04/30/04</u>
Governmental Activities Long-Term Debt				
Sales tax bonds	\$ 4,905,000	\$ 15,000,000	\$ (1,420,000)	\$ 18,485,000
Ad valorem tax bonds	5,815,000		(305,000)	5,510,000
Certificates of Indebtedness	19,085,000		(685,000)	18,400,000
Compensated absences - net	2,385,999		(94,568)	2,291,431
Risk management claims - net	3,307,000		(132,000)	3,175,000
Totals	<u>\$ 35,497,999</u>	<u>\$ 15,000,000</u>	<u>\$ (2,636,568)</u>	<u>\$ 47,861,431</u>

	<u>Balance 04/30/04</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
Governmental Activities Long-Term Debt			
Sales tax bonds	\$ 18,485,000	\$ 1,455,000	\$ 17,030,000
Ad valorem tax bonds	5,510,000	320,000	5,190,000
Certificates of Indebtedness	18,400,000	730,000	17,670,000
Compensated absences - net	2,291,431	343,715	1,947,716
Risk management claims - net	3,175,000		3,175,000
Totals	<u>\$ 47,861,431</u>	<u>\$ 2,848,715</u>	<u>\$ 45,012,716</u>

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

<u>Year ended April 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2005	\$ 2,505,000	\$ 1,989,083	\$ 4,494,083
2006	2,185,000	1,934,007	4,119,007
2007	2,290,000	1,834,249	4,124,249
2008	2,400,000	1,726,377	4,126,377
2009	1,920,000	1,616,982	3,536,982
2010-2014	11,165,000	6,541,230	17,706,230
2015-2019	10,535,000	3,771,667	14,306,667
2020-2024	9,395,000	983,947	10,378,947
	<u>\$42,395,000</u>	<u>\$ 20,397,542</u>	<u>\$ 62,792,542</u>

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

During the year ended April 30, 2004, the following changes occurred in business type activities long-term liabilities:

	<u>Balance</u> <u>05/01/03</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>04/30/04</u>
Business-Type Activities Long-Term Debt				
Revenue bonds	\$ 53,115,000	\$ 35,000,000	\$(31,155,000)	\$ 56,960,000
Capitalized lease obligations		49,552		49,552
Certificates of indebtedness		1,500,000		1,500,000
Compensated absences - net	1,191,969		(44,780)	1,147,189
Customer guaranteed deposits - net	<u>3,331,838</u>	<u>104,996</u>		<u>3,436,834</u>
Totals	<u>\$ 57,638,807</u>	<u>\$ 36,654,548</u>	<u>\$(31,199,780)</u>	<u>\$ 63,093,575</u>

	<u>Balance</u> <u>04/30/04</u>	<u>Due within</u> <u>one year</u>	<u>Due in more</u> <u>than one year</u>
Business-type Activities Long-Term Debt	\$ 63,093,575	\$ 4,670,040	\$ 58,423,535

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

<u>Year ended April 30,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2005	\$ 4,520,191	\$ 2,001,790	\$ 6,521,981
2006	3,974,361	2,117,930	6,092,291
2007	3,690,000	1,996,185	5,686,185
2008	4,030,000	1,871,161	5,901,161
2009	4,435,000	1,725,823	6,160,823
2010-2014	13,570,000	6,974,505	20,544,505
2015-2019	9,830,000	4,546,708	14,376,708
2020-2024	6,330,000	2,409,537	8,739,537
2025-2029	3,580,000	1,498,913	5,078,913
2030-2034	<u>4,550,000</u>	<u>555,305</u>	<u>5,105,305</u>
	\$58,509,552	\$ 25,697,857	\$ 84,207,409

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

Governmental activities

General Obligation

Sales tax revenue bonds

Series ST-1979	\$ 810,000
Series ST-1987	<u>2,770,000</u>
	\$ 3,580,000

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

Business-type activities

Enterprise Funds

Utilities System revenue bonds

Series 1993	\$ 9,140,000
Series 1995	<u>9,890,000</u>
	\$ 19,030,000

Business-type Activities Refunding Bonds, Series 2004B: On January 27, 2004, the City issued \$19,510,000 of Utility Revenue Refunding Bonds, Series 2004B, with interest rates ranging from 2.25% to 5.00%, to advance refund \$19,030,000 of outstanding Utility Revenue Refunding Bonds, Series 1993 and Utilities Revenue Bonds, Series 1995, with interest rates ranging from 4.50% to 6.75%. A total of \$20,208,022, consisting of net proceeds of \$19,774,635 from the Utilities Revenue Refunding Bonds, Series 2004B, after payment of underwriting fees, insurance, and other issuance costs plus \$433,387 of monies reserved for Utilities System debt service, was deposited with an escrow agent. The issuance of the Series 2004B bonds increased the debt service requirements by \$2,973,444 over the next 16 years and resulted in an economic gain (the difference between the present values of the old and new debt service payments) of \$116,577. The City issued the new bonds to extend the payment period of the old bonds and to remove certain reserve requirements of the old bonds.

13. SUPPLEMENTAL PAY

Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$934,550 is recognized as intergovernmental revenue in the General Fund and as expenditures in the following public safety departments:

Police	\$ 537,770
Fire	<u>396,780</u>
	\$ 934,550

14. ENTERPRISE FUNDS – SEGMENT INFORMATION

The City operates a utilities system, a bus line, and a solid waste system. The utilities system consists of an electric generation and distribution system, a natural gas distribution system, a water production and distribution system, and a sewerage transmission and treatment plant. The City issued revenue bonds for capital improvements of the utilities system. These revenue bonds rely on revenues generated by the utilities system as a whole for repayment. The following is a condensed summary of the three enterprise funds:

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

	<u>Utilities System</u>	<u>Municipal Bus Line</u>	<u>Sanitation</u>	<u>Total</u>
Condensed Statement of Net Assets				
Assets				
Current assets				
Due from other funds	\$	\$ 153,952	\$ 15,016	\$ 168,968
Other current assets	12,250,949	937,217	294,334	13,482,500
Noncurrent assets				
Restricted equity in pooled cash and investments	36,075,570			36,075,570
Capital assets	99,906,373	2,722,621	510,012	103,139,006
Other noncurrent assets	919,006			919,006
Total Assets	<u>149,151,898</u>	<u>3,813,790</u>	<u>819,362</u>	<u>153,785,050</u>
Liabilities				
Current liabilities				
Due to other funds	2,078,069	72,778	56,775	2,207,622
Other current liabilities	3,110,281	105,929	171,150	3,387,360
Liabilities payable from restricted assets	8,964,859			8,964,859
Noncurrent liabilities	<u>53,861,559</u>	<u>45,615</u>	<u>80,354</u>	<u>53,987,528</u>
Total Liabilities	<u>68,014,768</u>	<u>224,322</u>	<u>308,279</u>	<u>68,547,369</u>
Net Assets				
Invested in capital assets, net of related debt	56,361,301	2,722,621	510,012	59,593,934
Restricted	12,561,054			12,561,054
Unrestricted	<u>12,214,775</u>	<u>866,847</u>	<u>1,071</u>	<u>13,082,693</u>
Total Net Assets	<u>\$ 81,137,130</u>	<u>\$ 3,589,468</u>	<u>\$ 511,083</u>	<u>\$ 85,237,681</u>
Condensed Statement of Revenues, Expenses and Changes in Net Assets				
Operating revenues (operating revenues of the Utilities System are pledged against revenue bonds of the Utilities System)	\$ 74,515,281	\$ 292,564	\$ 3,573,047	\$ 78,380,892
Operating expenses				
Depreciation	(5,710,987)	(374,857)	(55,431)	(6,141,275)
Depreciation included in overhead	(409,491)			(409,491)
Other	<u>(63,431,697)</u>	<u>(2,005,509)</u>	<u>(3,074,797)</u>	<u>(68,512,003)</u>
Operating income (loss)	4,963,106	(2,087,802)	442,819	3,318,123
Nonoperating revenues (expenses)				
Grant revenue		753,813		753,813
Investment income	328,885	4,109	3,243	336,237
Disposition of assets	25,394	844	2,054	28,292
Interest expense and fiscal charges	(2,092,280)			(2,092,280)
Capital contributions		212,442		212,442
Transfers in (out)	<u>(7,707,735)</u>	<u>1,022,340</u>	<u>(617,294)</u>	<u>(7,302,689)</u>
Change in Net Assets	(4,482,630)	(94,254)	(169,178)	(4,746,062)
Net Assets, beginning	<u>85,619,760</u>	<u>3,683,722</u>	<u>680,261</u>	<u>89,983,743</u>
Net Assets, ending	<u>\$ 81,137,130</u>	<u>\$ 3,589,468</u>	<u>\$ 511,083</u>	<u>\$ 85,237,681</u>

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

	<u>Utilities System</u>	<u>Municipal Bus Line</u>	<u>Sanitation</u>	<u>Total</u>
Condensed Statement of Cash Flows				
Net cash provided (used) by				
Operating activities	\$ 13,810,535	\$ (1,718,884)	\$ 476,981	\$12,568,632
Noncapital financing activities	(8,136,575)	2,055,377	(624,586)	(6,705,784)
Capital and related financing activities	(3,054,580)	(2,128)	(246,255)	(3,302,963)
Investing activities	<u>(3,841,506)</u>	<u>(334,365)</u>	<u>413,213</u>	<u>(3,762,658)</u>
Net increase (decrease)	(1,222,126)	-	19,353	(1,202,773)
Cash and cash equivalents, beginning	<u>1,584,308</u>	-	<u>18,533</u>	<u>1,602,841</u>
Cash and cash equivalents, ending	<u>\$ 362,182</u>	<u>\$ -</u>	<u>\$ 37,886</u>	<u>\$ 400,068</u>

Segment information for the Utilities System Enterprise Fund for the fiscal year ended April 30, 2004, follows:

	<u>Total</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Waste Water</u>
Operating revenues	\$ 74,515,281	\$ 51,688,151	\$ 12,416,852	\$ 6,411,409	\$ 3,998,869
Operating expenses					
Depreciation	(6,120,478)	(2,500,008)	(1,223,740)	(943,137)	(1,453,593)
Other	<u>(63,431,697)</u>	<u>(42,194,506)</u>	<u>(12,307,763)</u>	<u>(4,331,358)</u>	<u>(4,598,070)</u>
Operating income (loss)	\$ 4,963,106	\$ 6,993,637	\$ (1,114,651)	\$ 1,136,914	\$ (2,052,794)

15. DEDICATION OF PROCEEDS - FLOW OF FUNDS - CITY SALES AND USE TAX

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

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

CITY OF ALEXANDRIA, LOUISIANA
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NOTES TO FINANCIAL STATEMENTS

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

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

16. FLOW OF FUNDS - RESTRICTIONS ON USE - UTILITIES SYSTEM ENTERPRISE FUND

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

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

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

- (a) The payment of all reasonable expenses of administration, operation, and maintenance of the Utilities System.
- (b) The maintenance of the Sinking Funds established pursuant to the bond resolutions sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds and any additional pari passu bonds issued hereafter in the manner provided by the bond ordinance, as they severally become due and payable, by transferring from the Utilities System Fund to the Sinking Funds established pursuant to the bond resolutions, monthly in advance on or before the 20th day of each month of each year, a sum equal to 1/6th of the interest falling due on the next interest payment date, and a sum equal to 1/12th of principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. The depository for the Sinking Funds shall transfer from said Sinking Funds to the paying agent bank or banks for all bonds payable from said Fund at least one day in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

CITY OF ALEXANDRIA, LOUISIANA
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NOTES TO FINANCIAL STATEMENTS

- (c) The maintenance of the Reserve Funds established pursuant to the bond resolutions by transferring from the proceeds of the bonds a sum equal to the lesser of (i) 10% of the proceeds of the bonds or (ii) an amount which, together with moneys on deposit in the Reserve Funds, will equal the highest combined principal and interest requirements for any succeeding fiscal year on the bonds (the "Reserve Funds Requirement"), and if such moneys do not cause the balance in the Reserve Funds to equal the Reserve Funds Requirement, by transferring from said Utilities System Fund to the Reserve Funds established pursuant to the bond resolutions, monthly in advance on or before the 20th day of each month of each year, a sum at least equal to 20% of the amount required to be paid into the aforesaid Sinking Fund specified in paragraph (b) above, the payments into said Reserve Funds to continue until such time as there has been accumulated therein a sum equal to the Reserve Funds Requirement. The money in the Reserve Funds shall be retained solely for the purpose of paying the principal of and interest on Bonds payable from the aforesaid Sinking Fund specified in paragraph (b) above as to which there would otherwise be default. In the event that additional *pari passu* bonds are issued hereafter in the manner provided by the bond ordinance, the payments into said Reserve Fund shall continue, or if the said payments have ceased because of the accumulation of the maximum amount provided above, then such payments shall be resumed, until such time as there has been accumulated in said Reserve Funds an amount of money equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds, including such additional *pari passu* bonds.

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

- (d) The maintenance of the Capital Additions and Contingencies Fund established pursuant to the bond resolutions to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the Utilities System by transferring from said Utilities System Fund to the Capital Additions and Contingencies Fund established by the bond resolutions, monthly on or before the 20th day of each month of each year, a sum equal to nine percent (9%) of the gross revenues of the Utilities System for the preceding month, provided that such sum is available after provision is made for the payments required under paragraphs (a), (b), and (c) above. Such payments into the Capital Additions and Contingencies Fund shall continue until such time as there has been accumulated in said Fund the sum of one million dollars (\$1,000,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of one million dollars (\$1,000,000), in which event such payments shall be resumed and continue until said maximum of one million dollars (\$1,000,000) is again accumulated. In addition to caring for extensions, additions, improvements, renewals, and replacements necessary to properly operate the Utilities System, the money in the Capital Additions and Contingencies Fund shall also be used to pay the principal of and the interest on the bonds, including any additional *pari passu* bonds issued hereafter in the manner provided by the bond ordinance, for the payment of which there is not sufficient money in the Sinking Fund and Reserve Fund

CITY OF ALEXANDRIA, LOUISIANA
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NOTES TO FINANCIAL STATEMENTS

described in paragraphs (b) and (c) above, but the money in said Capital Additions and Contingencies Fund shall never be used for the making of improvements and extensions to the Utilities System or for payment of principal or interest on Bonds if the use of said money will leave in said Capital Additions and Contingencies Fund for the making of emergency repairs or replacements less than the sum of twenty-five thousand dollars (\$25,000).

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

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

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

17. UTILITIES SYSTEM FUND POWER PURCHASE CONTRACT COMMITMENT

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

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

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

18. DEFINED BENEFIT PENSION PLANS

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

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

Municipal Police Employees' Retirement System of Louisiana (MPERS)

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

Funding Policy and Annual Pension Costs. Members are currently required to contribute seven and one-half percent (7½%) of their annual salary to the system, including supplemental pay. The City contributes an actuarially determined rate, presently set at twenty-one and one-half percent (21½%) of the member's salary, including supplemental pay. The City's contributions to MPERS, for the fiscal years ended April 30, 2004, 2003, and 2002, were \$873,093, \$537,788 and \$518,603, respectively.

Firefighters' Retirement System of Louisiana (FRS)

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

Funding Policy and Annual Pension Costs. Members are currently required to contribute eight percent (8%) of their annual salary, including supplemental pay to the Plan. The City contributes an actuarially determined rate, presently at twenty-one percent (21%) of the member's salary, including supplemental pay. The City's contributions to FRS, for the fiscal years ended April 30, 2004, 2003, and 2002, were \$840,007, \$360,702 and \$393,578, respectively.

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

Louisiana State Employees' Retirement System (LASERS)

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

The basic annual retirement benefit for substantially all members is equal to two and one-half percent (2½%) of average compensation multiplied by the number of years of creditable service plus three hundred dollars (\$300). Average compensation is defined as the member's average annual earned compensation for the period of thirty-six (36) consecutive months of employment during which the member's aggregate earned compensation was greatest. The maximum annual retirement benefit cannot exceed the lesser of one hundred percent (100%) of average compensation or certain specified dollar amounts or actuarially determined monetary limits which vary depending upon the member's age at retirement. Judges and court officers and certain elected officials receive an additional annual retirement benefit equal to one percent (1%) of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the above basic retirement benefit, a member may elect to receive his retirement benefits under any one of four different options providing for a reduced retirement benefit payable throughout his life with certain benefits being paid to his designated beneficiary after his death.

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

Funding Policy and Annual Pension Costs. Judges, court officers, and legislators contribute eleven and one-half percent (11 ½%) of their salary to the System. The City contributes an actuarially determined rate, presently set at fourteen and one-tenth percent (14.10%) of the member's annual salary. The City's contributions to LASERS for the years ended April 30, 2004, 2003, and 2002 were \$5,677, \$1,324 and \$2,610, respectively.

Parochial Employees' Retirement System of Louisiana (PERSL)

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

**CITY OF ALEXANDRIA, LOUISIANA
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NOTES TO FINANCIAL STATEMENTS

Funding Policy and Annual Pension Costs. The member contributes nine and one-half percent (9½%) of their salary to the System. The City presently contributes seven and three-fourths percent (7¾%) to the System as an employer match. The City's contributions to PERSL, for the fiscal years ended April 30, 2004, 2003, and 2002, were \$1,506, \$1,339 and \$1,288, respectively.

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

City of Alexandria Employees' Retirement System (COAERS)

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

Funding Policy and Annual Pension Cost. For the COAERS, employees are required by statute to contribute ten percent (10%) of their salary to the System. The City is required by statute to contribute remaining amounts necessary to finance the COAERS at an actuarially determined rate currently set at 19.24%. The City's contributions to COAERS, for the fiscal years ended April 30, 2004, 2003, and 2002, were \$2,791,634, \$2,670,685 and \$2,331,914, respectively.

Policemen's Pension and Relief Fund (PPARF)

Plan Description. Effective September 1, 1983, this plan was merged into the statewide Municipal and State Police Employees' Retirement System. The Fund remains liable for retirement benefits in the event that a policeman hired prior to August 1, 1976, retires before reaching age fifty (50) or twenty-five (25) years of eligible service. Retirement benefits vest after twenty (20) years of creditable service. The member may retire after twenty (20) years of eligible service at two-thirds (2/3) of the highest average monthly salary for any continuous twelve (12) month period of time worked prior to retirement. Upon reaching age fifty (50) or twenty-five (25) years of eligible service, the retiree transfers to the Municipal and State Police Employees' Retirement System. Benefit and contribution requirements are established by state law. PPARF issues a publicly available financial report that may be obtained by writing to the Policemen's Pension and Relief Fund of the City of Alexandria, P. O. Box 71, Alexandria, Louisiana 71309-0071.

Funding Policy and Annual Pension Cost. For the PPARF, members are not required to contribute to the funds. The City is required to contribute an amount sufficient to meet the operating deficit of each fund without regard for reserve requirements accruing or having accrued on an actuarial basis. The City's contributions to PPARF, for the fiscal years ended April 30, 2004, 2003, and 2002, were \$16,394, \$28,617 and \$58,976, respectively.

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

Firemen's Pension and Relief Fund (FPARF)

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

Funding Policy and Annual Pension Cost. For the FPARF, members are not required to contribute to the funds. The City is required to contribute an amount sufficient to meet the operating deficit of each fund without regard for reserve requirements accruing or having accrued on an actuarial basis. The City's contributions to FPARF for the years fiscal ended April 30, 2004, 2003, and 2002, were \$30,000, \$50,000 and \$40,000, respectively.

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

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

	<u>COAERS</u>	<u>PPARF</u>	<u>FPARF</u>
Contribution rate			
City	19.24%	n/a	n/a
Plan members	10.00%	n/a	n/a
Annual pension cost	\$ 2,791,634	\$ 16,394	\$ 30,000
Contributions made	\$ 2,791,634	\$ 16,394	\$ 30,000
Actuarial valuation date	12/31/03	n/a	n/a
Actuarial cost method	Frozen Entry Age Normal	n/a	n/a
Remaining amortization period	15 years	n/a	n/a
Asset valuation method	Three year smoothing for stocks. Other assets at amortized cost.	n/a	n/a

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

	<u>COAERS</u>	<u>PPARF</u>	<u>FPARF</u>
Actuarial assumptions			
Investment rate of return	8.00%	n/a	n/a
Projected salary increases	5.50%	n/a	n/a
Includes inflation rate of	3.25%	n/a	n/a
Includes merit raises at	2.25%	n/a	n/a
Cost of living adjustments	None	n/a	n/a

THREE YEAR TREND INFORMATION

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City of Alexandria Employees' Retirement System	04/30/04	\$ 2,791,634	100%	\$ -
	04/30/03	2,670,685	100	-
	04/30/02	2,331,914	100	-
Policemen's Pension and Relief Fund	04/30/04	\$ 16,394	100%	\$ -
	04/30/03	28,617	100	-
	04/30/02	58,976	100	-
Firemen's Pension and Relief Fund	04/30/04	\$ 30,000	100%	\$ -
	04/30/03	50,000	100	-
	04/30/02	40,000	100	-

19. DEFINED CONTRIBUTION PENSION PLAN

The City sponsors a defined contribution plan (the Plan) available to unclassified employees who elect to participate. The Plan is administered by MML Investors Services, Inc. The City's covered payroll for employees participating in the Plan for the current year was \$842,437. Employer contributions for the fiscal year were \$151,619 or 19.24% of covered payroll. Employees do not contribute to the plan.

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

20. LEASES

A. City as Lessee

On March 29, 1995, the City entered into a lease agreement with the England Economic and Industrial Development District (EEIDD) to lease the natural gas, water, and waste water systems located within the England Airpark. The term of the lease is for twenty (20) years beginning March 29, 1995 and ending March 28, 2015. The lease agreement provides that the City shall pay the EEIDD as rent under the lease five percent (5%) of gross charges for service billed to customers located within the Airpark boundaries including gross charges billed to the EEIDD. Lease payments are due to the EEIDD on May 15th and November 15th. It is not possible to determine the future minimum rental payments due under this lease. The City paid the EEIDD a total of \$22,573 under this lease during the fiscal year ended April 30, 2004.

**CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004**

NOTES TO FINANCIAL STATEMENTS

B. City as Lessor

The City is the lessor of property under operating leases expiring in various years. The following is a summary of property on lease at April 30, 2004:

	<u>Cost</u>
Industrial Park - land and buildings	\$ 188,792
Startek Building	3,522,632
Convention Center Complex	3,301,568
	<u>\$ 7,012,992</u>

Total lease revenues for the fiscal year, consisting solely of minimum rentals on the above leases, amounted to \$99,659.

Minimum future rentals to be received on non-cancelable leases as of April 30, 2004, for each of the next five years and in the aggregate are:

YEAR ENDED	
<u>APRIL 30</u>	<u>Amount</u>
2005	\$ 168,005
2006	162,305
2007	162,305
2008	162,305
2009	119,870
Thereafter	233,333
Total Minimum Future Rentals	<u>\$ 1,008,123</u>

21. COMPENSATION PAID TO MEMBERS OF THE CITY COUNCIL

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following report reflects compensation paid to members of the City Council, City of Alexandria, for the fiscal year ended April 30, 2004.

Nancy A. Downs	\$ 9,415
Charles Fowler, Jr.	18,692
Everett Hobbs	18,692
Myron K. Lawson	18,692
Louis J. Marshall	18,692
Charles F. Smith	18,692
Richard Ranson, Jr.	18,692
Roosevelt L. Johnson	9,346

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

22. CONTINGENCIES

Management has not calculated the possible rebate of arbitrage interest, as of April 30, 2004, on each of the recent tax exempt bond issues. The contingent liability, stated simply, is the interest earned from the investment of unspent bond proceeds that is in excess of the amount of earnings that would have been obtained had the investment rate been equal to the yield on the bonds. Since the rebate calculation is a cumulative calculation performed until all proceeds have been expended, management believes that the amount of the contingent liability for arbitrage interest, if any, will be eliminated in future years. In the event that the contingent liability for arbitrage interest is not eliminated, the City will be liable for remittance of the rebate amount, as subsequently calculated, to the federal government.

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

During fiscal years ended April 30, 1995 and April 30, 1996, the City was awarded funds by the Louisiana Department of Social Services, Office of Community Services, through the HUD Emergency Shelter Grants Program (ESGP) pursuant to Subpart B of Title IV of the Stewart B. McKinney Homeless Assistance Act, Pub. L. 100-77 and Title 24 C.F.R. Part 576, CFDA 14.321. Funds totaling \$102,894 were received. The grant funds were used for the purpose of providing homeless transitional shelter for patients with AIDS/HIV and other terminal illness. The funds were provided to Shepherd Ministries, Inc., (a non-profit organization) as recipient, for the aforementioned purpose and expended through a program commonly known as Maison de Coeur. Funds were used for renovation of a building provided by Christus St. Frances Cabrini Hospital. An agreement with Cabrini contained a reversionary clause which provided that the building would return to Cabrini in the event the program ceased operations. The shelter care program terminated on July 31, 2000. An alternative use for the building and improvements has not been found and under the terms of the agreement the building reverted to Cabrini. ESGP regulations provide that the building (renovated with grant funds) must be retained as a shelter for a period of ten (10) years. Accordingly, an undetermined amount of the federal funding of \$102,894 may be required to be returned to the state funding agency. Since Shepherd Ministries, Inc., no longer exists as an entity, the City of Alexandria has a contingent liability for repayment of these funds.

CITY OF ALEXANDRIA, LOUISIANA
APRIL 30, 2004

NOTES TO FINANCIAL STATEMENTS

23. COMPLIANCE WITH BOND ORDINANCE NO. 56-2003

Section 8.e. of Bond Ordinance No. 56-2003, Utilities Revenue Refunding Bonds, Series 2003, provides the following: "Each such audit, in addition to whatever matters may be thought proper by the accountant to be included therein, shall include the following."

1. A statement in detail of the income and expenditures of the Utilities System for such fiscal year. *See Exhibit I, Page 28.*
2. A balance sheet as of the end of such fiscal year. *See Exhibit G, Page 26.*
3. The accountant's comments regarding the manner in which the Issuer has carried out the requirements of this Bond Ordinance, and the accountant's recommendations for any changes or improvements in the operation of the Utilities System or the method of keeping the records related thereto. *See Special Letter, Page 95.*
4. A list of the insurance policies in force at the end of the Fiscal year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy. *See Schedule 5, Pages 75-77.*
5. The number of metered water, gas, electric and sewerage customers and the number of unmetered water, gas, electric, and sewerage customers, if any. *See Schedule 4, Page 74.*
6. Description of the withdrawal of any Utilities System user comprising 4% or more of Utilities System sales measured in terms of revenue dollars, since the last audit. *None.*
7. An analysis of additions, replacements, and improvements to the physical properties of the Utilities System, including a description of any significant facility retirements or expansions planned or undertaken since the last audit. *See Note 7 to Financial Statements, Pages 47-49.*

REQUIRED SUPPLEMENTAL INFORMATION PART II

**CITY OF ALEXANDRIA, LOUISIANA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED APRIL 30, 2004**

SCHEDULE 1

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,894,000	\$ 1,946,000	\$ 2,132,542	\$ 186,542
Licenses and permits	1,963,200	2,093,200	1,991,329	(101,871)
Intergovernmental	7,546,184	7,993,017	8,003,700	10,683
Charges for services	1,351,930	1,114,430	1,126,528	12,098
Fines and fees	496,000	556,000	548,385	(7,615)
Investment revenue	-	55,000	52,452	(2,548)
Other	226,200	231,565	248,041	16,476
Total Revenues	13,477,514	13,989,212	14,102,977	113,765
Expenditures				
Current				
General government	7,129,389	8,656,307	8,214,242	442,065
Public safety	16,973,850	17,694,832	17,261,882	432,950
Public works	8,174,081	9,199,128	8,759,137	439,991
Debt service				
Principal	685,000	685,000	685,000	-
Interest and other charges	1,163,197	1,163,197	1,163,197	-
Capital outlay	1,922,705	2,575,239	1,963,919	611,320
Total Expenditures	36,048,222	39,973,703	38,047,377	1,926,326
Excess (Deficiency) of Revenues Over Expenditures	(22,570,708)	(25,984,491)	(23,944,400)	2,040,091
Other Financing Sources (Uses)				
Transfers in	21,081,703	21,579,557	22,270,348	690,791
Transfers (out)	(1,308,377)	(1,171,956)	(1,207,672)	(35,716)
Total Other Financing Sources (Uses)	19,773,326	20,407,601	21,062,676	655,075
Change in Fund Balances	(2,797,382)	(5,576,890)	(2,881,724)	2,695,166
Fund Balances, Beginning of Year	11,000,683	11,000,683	11,000,683	-
<u>Fund Balances, End of Year</u>	\$ 8,203,301	\$ 5,423,793	\$ 8,118,959	\$ 2,695,166

See independent auditor's report.

CITY OF ALEXANDRIA, LOUISIANA
 CITY SALES TAX SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED APRIL 30, 2004

SCHEDULE 2

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 20,681,870	\$ 20,992,098	\$ 21,820,303	\$ 828,205
Total Revenues	20,681,870	20,992,098	21,820,303	828,205
Other Financing Sources (Uses)				
Transfers (out)	(20,681,870)	(20,992,098)	(21,829,116)	(837,018)
Total Other Financing Sources (Uses)	(20,681,870)	(20,992,098)	(21,829,116)	(837,018)
Change in Fund Balances	-	-	(8,813)	(8,813)
Fund Balances, Beginning of Year	138,040	138,040	138,040	-
<u>Fund Balances, End of Year</u>	<u>\$ 138,040</u>	<u>\$ 138,040</u>	<u>\$ 129,227</u>	<u>\$ (8,813)</u>

See independent auditor's report.

SUPPLEMENTAL INFORMATION

**CITY OF ALEXANDRIA, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2004**

SCHEDULE 3

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Agency or Pass-through Grant Number	Award Amount	Amount Expended	Amount Provided Subrecipients
U.S. Department of Housing and Urban Development					
Community Planning and Development					
Direct					
Community Development Block Grants Entitlement Program	14.218	Various	\$ 6,274,936	\$ 1,003,499	\$ 65,799
Passed-through the State of Louisiana					
Emergency Shelter Grants Program	14.231	Various	<u>114,000</u>	<u>58,350</u>	<u>58,350</u>
Agency Totals			6,388,936	1,061,849	124,149
U.S. Department of Justice					
Bureau of Justice Assistance					
Direct					
Local Law Enforcement Block Grants Program	16.592	Various	306,279	135,189	
Bulletproof Vest Partnership Grant Program	16.607	Various	17,325		
Passed-through the State of Louisiana					
Byrne Formula Grant Program	16.579	Various	141,767	59,930	
Title V Delinquency Prevention Program	16.548	W01-3-001	<u>44,268</u>	<u>5,282</u>	
Agency Totals			509,639	200,401	-
U.S. Department of Transportation					
Federal Transit Administration					
Direct					
Federal Transit Capital and Operating Assistance Formula Grants	20.507	Various	4,946,567	792,868	
Passed-through the State of Louisiana					
State and Community Highway Safety	20.600	PT 04-02-00	<u>32,500</u>	<u>16,721</u>	
Agency Totals			4,979,067	809,589	-
U.S. Department of Agriculture					
Forest Service					
Passed-through the State of Louisiana Cooperative Forestry Assistance	10.644	CFMS # 590232	10,000	10,000	
U.S. Department of Health and Human Services					
Administration for Children and Families					
Passed-through the State of Louisiana Metro Share Grant Program	93.558	MS-02-100 ALEX	210,000	206,199	
U.S. Department of Commerce					
Economic Development Administration					
Direct					
Public Works and Economic Development Assistance	11.300	08-01-03771	<u>900,000</u>	<u>146,925</u>	-
TOTALS			<u>\$ 12,997,642</u>	<u>\$ 2,434,963</u>	<u>\$ 124,149</u>

Note:

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

See independent auditor's report.

**CITY OF ALEXANDRIA, LOUISIANA
UTILITIES SYSTEM ENTERPRISE FUND
UNAUDITED SUMMARY OF UTILITY SERVICE CUSTOMERS
APRIL 30, 2004**

SCHEDULE 4

<u>TYPE OF SERVICE</u>	<u>NUMBER OF CUSTOMERS</u> <u>APRIL 30, 2004</u>
Electricity	24,744
Water	20,441
Gas	16,909
Wastewater	16,294

See independent auditor's report.

**CITY OF ALEXANDRIA, LOUISIANA
UNAUDITED LISTING OF INSURANCE IN FORCE
APRIL 30, 2004**

**SCHEDULE 5
(Continued)**

PROPERTY

Insurer: Allianz Insurance Company
Expiration date: May 6, 2004
Coverage:
Real property, comprising buildings, and personal property
Self insured retention:
\$100,000 per occurrence deductible
Policy limits of liability:
\$150,000,000 per occurrence with specified sublimits

BOILER AND MACHINERY

Insurer: Continental Casualty Company
Expiration date: May 6, 2004
Coverage:
Comprehensive boiler and machinery coverage including production machines
Loss retention:
Varies with a minimum of \$50,000 per occurrence
Policy limits of liability:
\$25,000,000 per accident with specified sublimits

GENERAL LIABILITY / LAW ENFORCEMENT

Insurer: St. Paul Fire & Marine Insurance Company
Expiration date: May 6, 2004
Coverage:
Bodily injury and property damage, personal and advertising injury, employee benefits and law enforcement liability
Self insured retention:
\$150,000 per occurrence
Policy limits of liability:
\$3,000,000 general aggregate limit
\$1,000,000 products/completed operations aggregate limit
\$1,000,000 BI, PD Personal and advertising injury limit per occurrence

PUBLIC OFFICIALS AND EMPLOYERS LIABILITY

Insurer: St. Paul Fire & Marine Insurance Company
Expiration date: May 6, 2004
Coverage:
Claims made, retro date 05/06/1994 - Actual or alleged error or misstatement, act of neglect or breach of duty, misinformation, malfeasance and nonfeasance, protection for civil rights violations, discrimination or wrongful termination, employment related wrongful acts, punitive damage coverage, faulty preparation of bid specifications, architect/engineer E & O
Self insured retention:
\$150,000 per occurrence
Policy limits of liability:
\$1,000,000 each claim
\$2,000,000 annual aggregate

**CITY OF ALEXANDRIA, LOUISIANA
UNAUDITED LISTING OF INSURANCE IN FORCE
APRIL 30, 2004**

**SCHEDULE 5
(Continued)**

AUTOMOBILE LIABILITY

Insurer: St. Paul Fire & Marine Insurance Company

Expiration date: May 6, 2004

Coverage:

Bodily injury or property damage caused by an accident and resulting from the ownership, maintenance or use of any automobile

Self Insured retention:

\$150,000 per occurrence

Policy limits of liability:

\$1,000,000 per occurrence

Under the St. Paul Fire & Marine package policy which addresses the following lines of coverage, general liability, law enforcement liability, automobile, public officials liability the City's accumulation of payments within the self insured retentions is limited to a maximum amount (i.e. Stop Loss Aggregate) per policy term as follows: \$2,000,000 stop loss aggregate, \$1,000,000 limit of insurance. The Stop Loss Aggregate is applicable to general liability, law enforcement liability, auto liability, and public officials liability retentions combined. Should losses within the retentions exceed \$2,000,000 the carrier will pay additional losses within self insured retentions until the \$1,000,000 limit of insurance is exhausted.

COMMERCIAL UMBRELLA LIABILITY

Insurer: St. Paul Fire & Marine Insurance Company

Expiration date: May 6, 2004

Coverage:

Affords coverage in excess of designated liability policies or self-insurance retention for employer's liability, general liability, law enforcement liability, and automobile liability. The policy requires that specified levels of underlying insurance be maintained.

Self insurance retention:

\$10,000 per occurrence

Policy limits of liability:

\$1,000,000 each occurrence

\$1,000,000 combined aggregate for all losses

See Independent Auditor's Report.

**CITY OF ALEXANDRIA, LOUISIANA
UNAUDITED LISTING OF INSURANCE IN FORCE
APRIL 30, 2004**

**SCHEDULE 5
(Concluded)**

SPECIFIC EXCESS WORKERS' COMPENSATION AND EMPLOYERS LIABILITY INDEMNITY

Insurer: Midwest Employers Casualty Company

Expiration date: May 6, 2004

Coverage:

Workers' compensation - statutory

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

Loss retention:

\$500,000 per occurrence

Policy limits of liability:

Workers' compensation - statutory

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

PUBLIC OFFICIALS BOND

Insurer: Western Surety Bond

Expiration Date: September 9, 2004

Coverage: Mayor

Policy limits of liability: \$100,000

FIDELITY BOND

Insurer: Fidelity and Deposit Company of Maryland

Expiration date: May 11, 2004

Coverage: Tax Collector

Policy limits of liability: \$10,000

PUBLIC EMPLOYEES HONESTY BOND

Insurer: Fidelity and Deposit Company of Maryland

Expiration date: September 1, 2004

Coverage:

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

Loss retention: \$1,000 per occurrence

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

See Independent Auditor's Report.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and City Council
City of Alexandria, Louisiana

We have audited the basic financial statements of the City of Alexandria, Louisiana, as of and for the year ended April 30, 2004, and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Finding 2004-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Alexandria, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as Finding 2004-02 through Finding 2004-08.

MARVIN A. JUNEAU, C.P.A.
H. FRED RANDOW, C.P.A.
ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.
ROBERT W. DVORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.

MICHAEL A. JUNEAU, C.P.A.
JAMES N. BALLARD, C.P.A.
L. PAUL HOOD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council
City of Alexandria, Louisiana

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Finding 2004-02 through Finding 2004-05 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Alexandria, Louisiana, in a separate letter, entitled *Other Comments and Recommendations*, dated September 23, 2004.

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

Payne, Moore & Herrington, LLP

Certified Public Accountants

September 23, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and City Council
City of Alexandria, Louisiana

Compliance

We have audited the compliance of the City of Alexandria, Louisiana, with the types of compliance requirements described in the *U.S. Office Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended April 30, 2004. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of management of the City of Alexandria, Louisiana. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, City of Alexandria, Louisiana, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2004.

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The Honorable Mayor and City Council
City of Alexandria, Louisiana

Internal Control Over Compliance

The management of City of Alexandria, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Alexandria, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, and grants that would be material in relation to a major federal 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 over compliance and its operation that we consider to be material weaknesses.

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

Payne, Moore & Herrington, LLP

Certified Public Accountants

September 23, 2004

**CITY OF ALEXANDRIA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2004**

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u>	Yes	<u> X </u> No
Reportable condition(s) identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u> None reported

Type of auditor's report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u> </u>	Yes	<u> X </u> No

Identification of major programs:
 CFDA # 14.218 Community Development Block Grants/Entitlement Grants
 CFDA # 20.507 Federal Transit Capital and Operating Assistance Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000		
Auditee qualified as a low-risk auditee?	<u> </u>	Yes	<u> X </u> No

**CITY OF ALEXANDRIA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2004**

**PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE
REQUIRED TO BE REPORTED UNDER GOVERNMENT AUDITING STANDARDS**

FINDING 2004-01

BOND INDENTURE COMPLIANCE

Criteria: The objectives of internal controls are to provide management with reasonable assurance that assets are safeguarded against loss and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Bond indentures are approved by ordinance and as such administration is required to comply with the provisions of the agreements.

Condition: During the current period under audit, the City issued Sales Tax Bonds Series 2004 in the amount of \$15,000,000. The bond indenture agreement provides for the establishment of a sinking fund for interest and principal payments. Monthly transfers are to be made from the sales tax fund to the sinking fund. The initial interest payment was due on August 1, 2004 with the initial principal payment due on August 1, 2005. The sinking fund for the interest obligation was not established.

Cause: Excess funds were available in other debt service funds set up for sales tax revenue bond obligations. Without regard to the specific requirements, management failed to establish a sinking fund for the new obligation. Technically, the agreement requirement to set aside funds monthly in a separate sinking fund equal to the required one-sixth of the next interest payment maturing on August 1, 2004 was not met.

Recommendations: We recommend that the City comply with the requirements of the agreement as soon as practical.

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

FINDING 2004-02

RECONCILIATION OF AD VALOREM TAXES

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

Condition: Collections of year 2003 ad valorem taxes were not properly accounted for during the current year. A reconciliation of the amounts collected to the general ledger was not prepared. In addition, a reconciliation of the original assessment role, adjusted for appropriate changes, to the amount collected was not maintained. A subsidiary ledger of the accounts outstanding as of April 30, 2004 was not prepared. We were informed that the accounting program system recently installed does not provide reliable reports to supply the items noted above. A considerable effort was required by finance department staff and audit staff to reconstruct reports necessary to provide assurance that ad valorem taxes as adjusted and reflected in the financial statements are materially correct.

Recommendation: Procedures and policies should be adopted that require a reconciliation of ad valorem taxes assessed, subsequent collections of such amounts, and an adequate receivable aging report. Policies should provide that each of these procedures be timely prepared and reports provided to the Director of Finance at least monthly.

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

**CITY OF ALEXANDRIA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2004**

**PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE
REQUIRED TO BE REPORTED UNDER GOVERNMENT AUDITING STANDARDS**

FINDING 2004-03

ACCOUNTING FOR STATE GRANT FUNDS

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

Condition: During the current period several capital projects were funded or partially funded with state grants. Grant funds are normally requested on a reimbursement basis. We noted instances whereby the reimbursement requests were filed with the state; however, an accounting entry was not made to record the related receivable and revenue. In one instance, a reimbursement was not filed with the state.

Cause: Accounting personnel do not have sufficient knowledge of some projects to competently record and request the reimbursements.

Recommendations: All pertinent information should be communicated to the accounting department to ensure that adequate data is available to understand the funding aspects of projects. Procedures should be established on each ongoing project to provide periodic review and to determine that proper accounting and expenditure reimbursements have been made.

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

FINDING 2004-04

DELINQUENT CUSTOMER UTILITY ACCOUNTS

Criteria: Management has specified policies regarding termination of service to customers with delinquent utility accounts.

Condition: Our tests indicated that these policies are not being enforced in all cases.

We noted the following violations of delinquent account policies:

- In a sample of 50 delinquent accounts, 23 accounts had payment agreements that were not enforced in accordance with policies.
- In the same sample an additional 19 accounts had cut-off notices cancelled without the required documentation.
- Several accounts had more than two payment agreements within one year. Policy states that a customer can have no more than two payment agreements within the same year.
- Some customers were making regular payments, but usually less than the current balance, resulting in ever increasing account balances. These customers continued to receive service.
- One not-for-profit organization received service for over one year with no payments made on the account.
- In a test of customer accounts of 17 City employees, 8 had delinquent balances. Policies were not enforced in all cases

**CITY OF ALEXANDRIA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2004**

**PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE
REQUIRED TO BE REPORTED UNDER GOVERNMENT AUDITING STANDARDS**

The policy in regards to cancellation of purchase orders indicates that the reason for cancellation, person requesting cancellation, and supervisor's approval must be noted on the service order. Cancelled service order forms are to be filed numerically and retained for one year. We were informed that policy was not enforced.

We noted that service orders relating to delinquent accounts were not always being processed timely. The list of open service orders as of April 30, 2004 included 24 open service orders to disconnect service that were over 30 days old and approximately 70 open service orders to disconnect service that were over 7 business days old. Management informed us that on at least two occasions entire blocks of cut-off notices were cancelled due to lack of personnel to process the cut-off notices.

The information systems department can general reports designed to detect active customer accounts with no delinquency codes or incorrect delinquency codes. Customer accounts with no or incorrect delinquency codes may not be properly charged the delinquent penalty on past-due accounts. In some cases, a service order to cut the account for nonpayment may not be generated. It is our understanding that the utility billing office is to request these reports at least quarterly. We were informed that the reports were not requested during the fiscal year. When we requested the reports, 55 customer accounts met the criteria of having no delinquency code or an incorrect delinquency code.

Cause: Management indicated that personnel shortages during the year prevented following normal policies.

Effect: Failure to enforce established policies contributed to the increase in delinquent accounts and an increase in bad debts during the current year.

Recommendations: We recommend that established policies be enforced.

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

FINDING 2004-05

UTILITIES SYSTEM RECONCILIATIONS

Criteria: The objectives of internal controls are to provide management with reasonable assurance that assets are safeguarded against loss and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Reconciliations performed to ensure that Utilities System transactions produced by the Customer Information System (CIS), such as accounts receivable and revenue transactions, are properly recorded in the general ledger is an integral part of ensuring that transactions are properly recorded in the general ledger.

Condition: The daily reconciliation of the CIS daily balancing report to the general ledger was performed infrequently during the fiscal year.

Cause: Management indicated that personnel shortages during the year prevented preparation of the daily reconciliations.

Effect: On two occasions CIS transactions did not properly interface with the general ledger resulting in Utilities System accounts receivable and revenues, prior to adjustment, being understated by approximately \$500,000. The interface problems remained undetected and uncorrected until after year end because the daily reconciliations were not completed.

**CITY OF ALEXANDRIA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2004**

**PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE
REQUIRED TO BE REPORTED UNDER GOVERNMENT AUDITING STANDARDS**

Recommendation: We recommend that the daily reconciliations be timely completed and that any differences be investigated and corrected as needed to ensure proper recording of CIS transactions in the general ledger.

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

FINDING 2004-06

ACCOUNTING FOR MISCELLANEOUS RECEIPTS

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

Condition: During our audit work we located three items of income that were not received by the City and therefore were not recorded in the accounting records. The Rapides Parish Police Jury Sales Tax Department (current occupational license collector for the City) failed to remit April 2004 collections for insurance licenses in the amount of \$11,840.33. Also, monthly rental income in the amount of \$10,608.75 provided for in the lease agreement on the Startek building for the months of February 2004 and March 2004 were not received. Revenue and assets were understated by a total of \$33,057.83.

Cause: The accounting department personnel were not aware of the receivable because no individual was performing a reconciliation of the actual receipt of checks from the Police Jury to the supporting documentation supplied. The rental checks for the Startek building continued to be made payable and mailed to the former owner.

Recommendations: Additional care should be taken to reconcile all amounts received from the Police Jury with the supporting documentation. The legal department should take the necessary steps to ensure that future rental checks are made payable to the City and remitted to the accounting department.

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

FINDING 2004-07

ACCUMULATION OF ANNUAL LEAVE

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

Condition: Rules and regulations provide specific language for accumulation of annual leave for fire and police personnel. For several employees, the accumulated annual leave exceeds the maximum provided for. Upon termination of employment, employees are routinely paid for annual leave without regard to the specified maximum amounts that can be accumulated.

Recommendations: Employees that have leave time accumulated in excess of the specified maximum amounts should be encouraged to take leave time to reduce the accumulation to the maximum amount. Policies should be adopted to provide that additional excessively accumulations are not allowed unless direct administration and/or council approval is received. Future payments upon termination of employment should be limited to the maximum amount of accumulated annual leave as provided for in the rules and regulations.

**CITY OF ALEXANDRIA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2004**

**PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE
REQUIRED TO BE REPORTED UNDER GOVERNMENT AUDITING STANDARDS**

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

FINDING 2004-08

APPROVAL OF SALARY INCREASES

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

Condition: Effective September 13, 2003, an unclassified employee was granted a salary increase at the direction of the mayor. The increase was subject to approval by the council and the appropriate budget amendment; neither of which occurred. Effective with the pay period of February 20, 2004, the employee was directed to pay back the increase and the salary was adjusted back to the pre-raise amount.

Recommendations: The matter has been referred to the City Attorney. The City should take the necessary steps to recover the unauthorized salary increase.

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

**CITY OF ALEXANDRIA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2004**

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

OTHER COMMENTS AND RECOMMENDATIONS



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

OTHER COMMENTS AND RECOMMENDATIONS

The Mayor and City Council
City of Alexandria, Louisiana

In planning and performing our audit of the basic financial statements of the City of Alexandria, Louisiana, as of and for the year ended April 30, 2004, we considered the City's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and compliance. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report, dated September 23, 2004 contains our report on reportable conditions on the City's internal control. This letter does not affect our report, dated September 23, 2004 on the basic financial statements of the City of Alexandria, Louisiana.

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

Payne, Moore & Herrington, LLP
Certified Public Accountants

September 23, 2004

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MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS

FINDING 2004-09

CONSUMPTION ON INACTIVE CUSTOMER UTILITY ACCOUNTS

Criteria: Utility customers should be charged for all consumption.

Condition: In the prior year, we recommended that exception reports be generated showing inactive accounts with current consumption. We were informed that Information Systems created the recommended report. Utility billing and collection office personnel may generate this report at their discretion. Discussion with client personnel indicated that they do not run the report on a regular basis and usually do not have time to consistently work the report when they do receive it. The report that we were shown, dated June 1, 2004, listed numerous accounts.

Effect: Inactive customer accounts may not be billed; therefore, any consumption on inactive accounts may not be invoiced to these customers. Without proper investigation by office personnel, the amount of lost revenue, if any, cannot be determined.

Recommendation: We recommend that the report showing inactive accounts with current consumption be generated at least monthly and that appropriate action be taken for accounts listed on the report.

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

**SPECIAL LETTER
RE: RESOLUTION NUMBER 2341-1982
REQUIREMENT OF SPECIFIC RECOMMENDATIONS**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor and City Council
City of Alexandria, Louisiana

RE: Resolution Number 2341-1982
Requirement of specific
recommendations

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

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

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

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PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council
City of Alexandria, Louisiana

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

Payne, Moore & Herrington, LLP
Certified Public Accountants

September 23, 2004

MANAGEMENT'S CORRECTIVE ACTION PLAN

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED APRIL 30, 2004**

SECTION I: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
Finding 2004-01	<u>BOND INDENTURE COMPLIANCE</u>
Response	Sinking Fund has been established and will be maintained in accordance with the bond indentures.
Finding 2004-02	<u>RECONCILIATION OF AD VALOREM TAXES</u>
Response	Property Tax software now has improved reporting and department is closer to full staff. Business Office Manager will report status to the Director of Finance monthly to keep up with activity.
Finding 2004-03	<u>ACCOUNTING FOR STATE GRANTS</u>
Response	Additional effort will be made in the area of tracking grants, made possible by additional staffing in the Finance Division.
Finding 2004-04	<u>DELINQUENT CUSTOMER UTILITY ACCOUNTS</u>
Response	Employees have been re-educated on the importance of timely payments by customers, including employees. Payment agreements will be enforced, and monitored to see that balances on the agreements do not continually grow.
Finding 2004-05	<u>UTILITIES SYSTEM RECONCILIATIONS</u>
Response	Daily reconciliations were not performed due mostly to lack of staff. Daily reconciliations will be given greater priority and will be achieved as new staff is trained and gains experience.
Finding 2004-06	<u>ACCOUNTING FOR MISCELLANEOUS RECEIPTS</u>
Response	Additional effort will be made in the area of miscellaneous receipts, made possible by additional staffing in the Finance Division.
Finding 2004-07	<u>ACCUMULATION OF ANNUAL LEAVE</u>
Response	The departments affected are now closely monitoring leave balances on employees. Positions were added to the Public Safety departments to minimize overtime and the accumulation of excess leave time.
Finding 2004-08	<u>APPROVAL OF SALARY INCREASES</u>
Response	Matter has been turned over to the City Attorney.

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED APRIL 30, 2004**

SECTION II: OTHER COMMENTS AND RECOMMENDATIONS (MANAGEMENT LETTER)	
Finding 2004-09	<u>CONSUMPTION ON INACTIVE CUSTOMER UTILITY ACCOUNTS</u>
Response	Current consumption report will be run and scrutinized monthly.

MANAGEMENT'S SCHEDULE OF PRIOR YEAR FINDINGS

**CITY OF ALEXANDRIA, LOUISIANA
MANAGEMENT'S SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED APRIL 30, 2004**

SECTION I: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS		
Finding 2003-01	Personal Use of Cell Phones	Resolved.
Finding 2003-02	Stop Loss Recovery	Resolved.
Finding 2003-03	Personal Use of Telephone Service	Resolved.
Finding 2003-04	Accounting for Hours Worked and Overtime	Resolved.
Finding 2003-05	Possible Misappropriation of Funds	Resolved.
Finding 2003-06	Delinquent Customer Utility Accounts	Not Resolved. See 2004-04
SECTION II: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS		
	None reported.	
SECTION III: OTHER COMMENTS AND RECOMMENDATIONS (MANAGEMENT LETTER)		
Finding 2003-07	Consumption on Inactive Customer Utility Accounts	Not Resolved. See 2004-09