

2201

CITY OF SPRINGHILL, LOUISIANA

ANNUAL FINANCIAL REPORT

June 30, 2004

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

Release Date 1-19-05

RECEIVED
LEGISLATIVE AUDITOR
05 JAN -6 AM 11:12

CITY OF SPRINGHILL, LOUISIANA

Financial Statements And Independent Auditor's Reports

As of and for the Year Ended June 30, 2004

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10-11
Statement of Activities	12-13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Assets	18-19
Statement of Revenues, Expenses and Changes in Fund Net Assets	20
Statement of Cash Flows.....	21
Notes to the Financial Statements	22-40
Required Supplementary Information	
Budgetary Comparison Schedules	
General Fund	41

CITY OF SPRINGHILL, LOUISIANA

Financial Statements
And Independent Auditor's Reports

As of and for the Year Ended June 30, 2004

Table of Contents (Continued)

Sales Tax Fund.....	42
Debt Service Fund.....	43
Notes to Budgetary Comparison	44
Other Supplementary Information:	
Schedule of Mayor and Aldermen's Compensation.....	45
Other Reports	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46-48
Audit Findings:	
Schedule of Findings and Questioned Costs	49-54
Summary Schedule of Prior Audit Findings.....	55
Management's Corrective Action Plan.....	56-57

INDEPENDENT AUDITOR'S REPORT



Certified Public Accountants • Management Consultants • Business Advisors

INDEPENDENT AUDITOR'S REPORT

The Honorable Johnny Herrington, Mayor
and the Members of the Board of Aldermen
City of Springhill, Louisiana

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

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

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

As described in Note 1 to the financial statements, the City of Springhill, Louisiana adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, in 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2004, on our consideration of the City of Springhill, Louisiana's internal control over financial reporting 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.

The Management's Discussion and Analysis and budgetary comparison information listed as Required Supplemental Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Smith Pugh & Company, LLP

Smith, Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana
December 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF SPRINGHILL

JOHN D. HERRINGTON
MAYOR

101 MACHEN DRIVE P.O. BOX 398
SPRINGHILL, LOUISIANA 71075
PHONE (318) 539-5681 FAX (318) 539-5683

EDWARD BANKHEAD, Alderman
CARROLL BREAUX, Alderman
ROBERT HILBURN, Alderman
RAY HUDDLESTON, Alderman
JIMMY MORGAN, Alderman
FAYE FARRAR, City Clerk
RONNIE COLEMAN, Chief of Police
E. CHARLES JACOBS, City Attorney
VICKY ADKINS, Interim Assistant Clerk

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Springhill, Louisiana's (hereafter referred to as "City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the City's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information in the first year, and that GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the City has elected to exclude the information in this report. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

In accordance with Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the City has started to depreciate capital assets resulting in a calculation of depreciation expense and accumulated depreciation as of June 30, 2004.

The City experienced an increase in its Net Assets by 15.04% (\$1,890,865) during the fiscal year ended June 30, 2004. As of June 30, 2004, the assets of the City exceeded its liabilities by \$14,460,402. Of this amount \$5,692,063 (39.36%) is reported as "unrestricted net assets" and represents the amount available to be used to meet the City's ongoing obligations to the citizens of Springhill, Louisiana. Net assets of the governmental activities increased by \$1,471,963 (22.65%), while net assets of the business-type activities increased \$418,902 (6.90%).

As of the close of the fiscal year 2004, the City's governmental funds reported a combined ending fund balance of \$5,480,729, a decrease of \$616,623 (10.11%).

During the current year, the City made improvements to the airport totaling \$259,505 and improvements to the Westside Drainage in the amount of \$1,471,419. These improvements were funded primarily through capital grants. The City received \$946,938 in capital grants during the current year.

The City also made investments in the Water and Sewer fund of \$201,529 for Water Well #10 and \$134,649 for improvements to the sewer system.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the City's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the City's financial position, which assists users in assessing the City's economic condition at the end of the year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting similar to methods used by most businesses. These statements report all revenues and expenses connected with the year even if cash has not been received or paid. The government-wide financial statements include two statements:

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

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

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

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

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

Fund Financial Statements

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

Fund Financial Statements (Continued)

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

Net Assets

Net assets may serve over time as a useful indicator of the City's financial position. The City's combined net assets (governmental and business-type activities) totaled \$14,460,402 at the end of fiscal year 2004.

\$7,312,434 (50.56%) of the City's net assets reflects the City's investment in capital assets such as land, buildings, equipment, water and sewer plant and improvements, and infrastructure (streets, bridges, lighting, sidewalks and drainage improvements), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the citizens of Springhill; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of net assets \$1,450,889 (10.03%) is restricted by loan covenants for repayment of principal and interest on long-term debt. \$5,016 (.03%) is restricted for providing perpetual care to the cemetery.

The other portion of the City's net assets, \$5,692,063 (39.38%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors at the discretion of the mayor and council of Springhill. \$5,692,063 (100.00%) of the unrestricted net assets of the City consists of cash, demand deposits and certificates of deposit.

	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 5,880,697	\$ 1,946,743	\$ 7,827,440
Capital Assets	3,641,303	9,052,131	12,693,434
Total Assets	<u>9,522,000</u>	<u>10,998,874</u>	<u>20,520,874</u>
Current Liabilities	399,968	111,800	511,768
Long-term Liabilities Outstanding	1,152,152	3,944,144	5,096,296
Other Liabilities	-	452,408	452,408
Total Liabilities	<u>1,552,120</u>	<u>4,508,352</u>	<u>6,060,472</u>
Invested in Capital Assets - Net of Related Debt	2,501,303	4,811,131	7,312,434
Restricted	241,638	1,214,267	1,455,905
Unrestricted	<u>5,226,939</u>	<u>465,124</u>	<u>5,692,063</u>
Total Net Assets	<u>\$ 7,969,880</u>	<u>\$ 6,490,522</u>	<u>\$ 14,460,402</u>

Changes in Net Assets

The City's net assets increased by \$1,890,865 (15.04%) during the year ended June 30, 2004.

Approximately 21.22% (\$1,093,176) of the City's total revenues was derived through charges for services while approximately 60.18% (\$3,100,240) was derived from general revenues including taxes, oil and gas revenues, sale of assets, and interest. The City received \$ 957,986 (18.60%) of its total revenues through program grants and contributions.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES (Continued)

Changes in Net Assets (Continued)

The largest expenses were for public safety, general government and streets. In fiscal year 2004, governmental activity expenses exceeded program revenues resulting in the use of \$641,372 in general revenues, mostly taxes. Net expenses from business-type activities in fiscal year 2004 exceeded revenues by \$568,004.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 357,615	\$ 735,561	\$ 1,093,176
Operating grants and contributions	7,458	3,590	11,048
Capital grants and contributions	946,938	-	946,938
General revenues:			
Taxes	2,847,836	-	2,847,836
Oil and gas	120,912	-	120,912
Interest	46,386	13,707	60,093
Other	64,124	7,275	71,399
Total revenues	<u>4,391,269</u>	<u>760,133</u>	<u>5,151,402</u>
Expenses:			
General government	533,512	-	533,512
Water and sewer	-	1,072,093	1,072,093
Public safety	718,868	-	718,868
Streets	289,995	-	289,995
Entertainment	-	205,653	205,653
Maintenance	135,835	-	135,835
Parks and recreation	102,382	-	102,382
Other	172,790	29,409	202,199
Total expenses	<u>1,953,382</u>	<u>1,307,155</u>	<u>3,260,537</u>
Increase (decrease) in net assets before transfers	2,437,887	(547,022)	1,890,865
Transfers	(965,924)	965,924	-
Change in net assets	1,471,963	418,902	1,890,865
Net assets - beginning of year	6,497,917	6,071,620	12,569,537
Net assets - end of year	<u>\$ 7,969,880</u>	<u>\$ 6,490,522</u>	<u>\$ 14,460,402</u>

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,480,729, a decrease of \$616,623 in comparison with the prior year. Approximately 95.59% (\$5,239,091) of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS (Continued)

Governmental Funds (Continued)

\$11,780 of the unreserved fund balance has been designated for specific use. The remainder of fund balance (\$241,638 or 4.41%) is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service.

As of the end of the current year, the City's general fund, its chief operating fund, reported an ending fund balance of \$1,413,130, an increase of \$22,553 (1.62%) compared to the prior year.

Proprietary Funds

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

At the end of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$6,490,522, an increase of \$418,902 (6.70%) in comparison with the prior year. The Water and Sewer Fund had an increase in net assets of \$473,197 (11.11%) and the Cemetery Fund had an increase in net assets of \$355 (.17%), whereas the Entertainment Fund had a decrease in net assets of \$54,650 (3.41%). \$4,811,131 (74.13%) represents investment in capital assets net of accumulated depreciation and related outstanding debt. A total of \$1,214,267 (18.71%) is restricted for paying debt service and providing perpetual care for the cemetery.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The City's budgets were amended because:

- State funds (grants) were \$629,941 (41%) less than originally budgeted.
- General government and public safety expenditures were more than originally budgeted.

Expenditures were \$1,021,514 less than the amount originally budgeted.

Revenues available for expenditure were \$62,468 below the final budgeted amounts.

CAPITAL ASSET ADMINISTRATION

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004 totaled \$17,428,500, net of accumulated depreciation of \$4,735,066, leaving a book value of \$12,693,434. This investment in capital assets consists of land, buildings, equipment, water and sewer plant and improvements, and infrastructure (streets, bridges, lighting, sidewalks and drainage improvements). The total increase in the City's investment in capital assets for the current year was \$2,446,262 about 16.30% in terms of historical cost. Depreciation charges for the year totaled \$407,265.

DEBT ADMINISTRATION

At the year-end the City had \$5,381,000 in bonds outstanding, a decrease of \$401,000 (6.94%) compared to the prior year as a result of normal amortization of debt.

Debt considered a liability of governmental activities (general obligation bonds) decreased \$110,000 while debt considered a liability of the business-type activities (DEQ bonds) decreased by \$291,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ended June 30, 2004 was prepared:

- The City has increased garbage collection fees for the fiscal year ended 2005.
- The City has increased water and sewer charges for the fiscal year ended 2005.
- Expenses are expected to remain consistent with the prior year.

REQUESTS FOR INFORMATION

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

This section of the City of Springhill, Louisiana's (hereafter referred to as "City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the City's financial statements, which follow this section.

BASIC FINANCIAL STATEMENTS

CITY OF SPRINGHILL, LOUISIANA

Statement of Net Assets

June 30, 2004

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents:			
Cash and demand deposits	\$ 4,791,138	\$ 212,427	\$ 5,003,565
Certificates of deposit	615,000	142,815	757,815
Total cash and cash equivalents	<u>5,406,138</u>	<u>355,242</u>	<u>5,761,380</u>
Taxes receivable	256,985	-	256,985
Receivables (net of allowance for uncollectible)	17,002	91,453	108,455
Interest receivable	1,254	260	1,514
Due from other governments	576	-	576
Notes receivable-current	1,950	-	1,950
Inventories	5,159	76,067	81,226
Prepaid expenses	87,354	30,481	117,835
Due from other funds	<u>77,503</u>	<u>16,569</u>	<u>94,072</u>
Total current assets	<u>5,853,921</u>	<u>570,072</u>	<u>6,423,993</u>
Restricted Assets:			
Cash and cash equivalents			
Cash and demand deposits	-	1,246,035	1,246,035
Certificates of deposit	-	75,000	75,000
Total cash and cash equivalents	<u>-</u>	<u>1,321,035</u>	<u>1,321,035</u>
Accrued interest receivable	-	121	121
Total restricted assets	<u>-</u>	<u>1,321,156</u>	<u>1,321,156</u>
Non-current assets:			
Notes receivable-non-current	26,776	-	26,776
Bond issue costs - net	-	55,515	55,515
Capital assets (net of accumulated depreciation)	<u>3,641,303</u>	<u>9,052,131</u>	<u>12,693,434</u>
Total non-current assets	<u>3,668,079</u>	<u>9,107,646</u>	<u>12,775,725</u>
 Total Assets	 <u>\$ 9,522,000</u>	 <u>\$ 10,998,874</u>	 <u>\$ 20,520,874</u>

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

CITY OF SPRINGHILL, LOUISIANA

Statement of Net Assets (Continued)

June 30, 2004

<u>Liabilities and Fund Balances</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 362,577	\$ 27,800	\$ 390,377
Accrued expenses	20,473	5,315	25,788
Deferred revenue	-	1,531	1,531
Due to other funds	16,918	77,154	94,072
Total current liabilities	399,968	111,800	511,768
Payable from restricted assets:			
Customer deposits	-	111,163	111,163
Bonds payable	115,000	300,000	415,000
Interest Payable	-	41,245	41,245
Total payable from restricted assets	115,000	452,408	567,408
Non-current liabilities:			
Compensated absences	12,152	3,144	15,296
Bonds payable	1,025,000	3,941,000	4,966,000
Total non-current liabilities	1,037,152	3,944,144	4,981,296
Total liabilities	1,552,120	4,508,352	6,060,472
<u>Net Assets</u>			
Invested in capital assets, net of related debt	2,501,303	4,811,131	7,312,434
Restricted for debt service	241,638	1,209,251	1,450,889
Restricted for perpetual care	-	5,016	5,016
Unrestricted	5,226,939	465,124	5,692,063
Total net assets	\$ 7,969,880	\$ 6,490,522	\$ 14,460,402

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

CITY OF SPRINGHILL, LOUISIANA

Statement of Activities

For the Year Ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 533,512	\$ 186,254	\$ 5,705	\$ 2,364
Public safety	718,868	126,125	1,753	16,128
Parks and recreation	102,382	5,643	-	-
Streets	289,995	6,779	-	856,919
Airport	58,235	32,814	-	71,527
Transportation	26,922	-	-	-
Maintenance	135,835	-	-	-
Ward court	81,193	-	-	-
Driver's license bureau	6,441	-	-	-
Total governmental activities	<u>1,953,383</u>	<u>357,615</u>	<u>7,458</u>	<u>946,938</u>
Business-type activities:				
Water and sewer	1,072,093	596,501	-	-
Entertainment	205,653	122,413	3,590	-
Cemetery	29,409	16,647	-	-
Total business-type activities	<u>1,307,155</u>	<u>735,561</u>	<u>3,590</u>	<u>-</u>
Total Primary Government	<u><u>\$ 3,260,538</u></u>	<u><u>\$ 1,093,176</u></u>	<u><u>\$ 11,048</u></u>	<u><u>\$ 946,938</u></u>

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

CITY OF SPRINGHILL, LOUISIANA

Statement of Activities (Continued)

For the Year Ended June 30, 2004

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
Primary Government:			
Governmental Activities:			
General government	\$ (339,189)	\$ -	(339,189)
Public safety	(574,862)	-	(574,862)
Parks and recreation	(96,739)	-	(96,739)
Streets	573,703	-	573,703
Airport	46,106	-	46,106
Transportation	(26,922)	-	(26,922)
Maintenance	(135,835)	-	(135,835)
Ward court	(81,193)	-	(81,193)
Driver's license bureau	(6,441)	-	(6,441)
Total governmental activities	(641,372)	-	(641,372)
Business-type activities:			
Water and sewer	-	(475,592)	(475,592)
Entertainment	-	(79,650)	(79,650)
Cemetery	-	(12,762)	(12,762)
Total business-type activities	-	(568,004)	(568,004)
Total Primary Government	\$ (641,372)	\$ (568,004)	\$ (1,209,376)
General Revenues:			
Taxes-			
Property taxes	317,292	-	317,292
Sales and use taxes	2,079,831	-	2,079,831
Franchise taxes	191,633	-	191,633
Other taxes	259,080	-	259,080
Interest and investment earnings	46,386	13,707	60,093
Sale of assets	33,050	7,275	40,325
Oil and gas	120,912	-	120,912
Miscellaneous	31,074	-	31,074
Transfers	(965,924)	965,924	-
Total general revenues and transfers	2,113,334	986,906	3,100,240
Change in net assets	1,471,963	418,902	1,890,865
Net assets- beginning of year	6,497,917	6,071,620	12,569,537
Net assets - end of year	\$ 7,969,880	\$ 6,490,522	\$ 14,460,402

The notes to the financial statements are an integral part of this statement.

See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Balance Sheet – Governmental Funds

June 30, 2004

	Major Funds			Total
	General Fund	Sales Tax Fund	Debt Service	
<u>Assets</u>				
Cash and cash equivalents:				
Cash and demand deposits	\$ 1,298,657	\$ 3,272,508	\$ 219,973	\$ 4,791,138
Certificates of deposit	215,000	400,000	-	615,000
Total cash and cash equivalents	1,513,657	3,672,508	219,973	5,406,138
Taxes receivable	82,803	174,182	-	256,985
Accounts receivable - net	17,002	-	-	17,002
Interest receivable	667	587	-	1,254
Due from other governments	576	-	-	576
Inventories	5,159	-	-	5,159
Notes receivable	28,726	-	-	28,726
Due from other funds	77,154	-	349	77,503
Prepaid expenses	87,354	-	-	87,354
Total assets	<u>\$ 1,813,098</u>	<u>\$ 3,847,277</u>	<u>\$ 220,322</u>	<u>\$ 5,880,697</u>
<u>Liabilities</u>				
Accounts payable	\$ 344,100	\$ -	\$ -	\$ 344,100
Bonds due to City Court	18,477	-	-	18,477
Accrued payroll taxes	20,473	-	-	20,473
Due to other funds	16,918	-	-	16,918
Total liabilities	<u>399,968</u>	<u>-</u>	<u>-</u>	<u>399,968</u>
<u>Fund Equity</u>				
Fund balances:				
Reserved:				
Debt service	-	21,316	220,322	241,638
Unreserved:				
Designated:				
LADHH	11,780	-	-	11,780
Undesignated	1,401,350	3,825,961	-	5,227,311
Total fund equity	<u>1,413,130</u>	<u>3,847,277</u>	<u>220,322</u>	<u>5,480,729</u>
Total liabilities and fund equity	<u>\$ 1,813,098</u>	<u>\$ 3,847,277</u>	<u>\$ 220,322</u>	<u>\$ 5,880,697</u>

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

CITY OF SPRINGHILL, LOUISIANA

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

June 30, 2004

Fund Balance - total governmental funds		\$ 5,480,729
 Amounts reported for governmental activities in the statement of activities are different because:		
 <i>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</i>		
Add - capital assets	\$ 4,618,307	
Deduct - accumulated depreciation	<u>(977,004)</u>	
		3,641,303
 Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Those liabilities consist of:		
Compensated absences	(12,152)	
General obligation bonds payable	<u>(1,140,000)</u>	
		(1,152,152)
 Net assets of governmental activities		 <u>\$ 7,969,880</u>

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

CITY OF SPRINGHILL, LOUISIANA

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

For the Year Ended June 30, 2004

	General Fund	Major Funds		Total
		Sales Tax Fund	Debt Service	
Revenues:				
Taxes:				
Ad valorem	\$ 133,493	\$ -	\$ 183,799	\$ 317,292
Sales and Use	-	2,079,831	-	2,079,831
Franchise	191,633	-	-	191,633
Beer	12,404	-	-	12,404
Licenses and permits	186,254	-	-	186,254
Video poker revenue	246,676	-	-	246,676
Fines and forfeitures	126,125	-	-	126,125
Intergovernmental:				
Federal grants:	45,631	-	-	45,631
State funds:	903,059	-	-	903,059
Interest	8,021	38,275	90	46,386
Rent	6,811	-	-	6,811
Oil and Gas	120,912	-	-	120,912
Contributions	5,705	-	-	5,705
Miscellaneous	69,501	-	-	69,501
Total revenues	2,056,225	2,118,106	183,889	4,358,220
Expenditures:				
Current:				
General government	435,239	29,545	-	464,784
Public safety	685,150	-	-	685,150
Parks and recreation	96,138	-	-	96,138
Streets	274,017	-	-	274,017
Airport	55,962	-	-	55,962
Transportation	26,922	-	-	26,922
Maintenance	129,138	-	-	129,138
Ward court	81,193	-	-	81,193
Drivers license bureau	6,441	-	-	6,441
Capital outlay	2,063,121	-	-	2,063,121
Debt service:				
Principal retirement	-	-	110,000	110,000
Interest	-	-	49,103	49,103
Total expenditures	3,853,321	29,545	159,103	4,041,969
Excess of revenues over (under) expenditures	(1,797,096)	2,088,561	24,786	316,251
Other financing sources (uses):				
Transfers from other funds	1,991,599	-	-	1,991,599
Transfers to other funds	(205,000)	(2,752,523)	-	(2,957,523)
Sale of assets	33,050	-	-	33,050
Total other financing sources (uses)	1,819,649	(2,752,523)	-	(932,874)
Net Change in Fund Balance	22,553	(663,962)	24,786	(616,623)
Fund Balance - beginning of year	1,390,577	4,511,239	195,536	6,097,352
Fund Balance - at end of year	\$ 1,413,130	\$ 3,847,277	\$ 220,322	\$ 5,480,729

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

CITY OF SPRINGHILL, LOUISIANA

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

June 30, 2004

Net Change in fund balance - total governmental funds \$ (616,623)

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of these assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which depreciation expense (\$84,535) exceeds capital outlays
(\$2,063,121) in the current period. 1,978,586

Bond principal retirements are a use of current financial resources
(expenditure) to governmental funds but the repayment reduces
long-term liabilities in the statement of net assets. 110,000

Change in net assets - statement of activities \$ 1,471,963

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

CITY OF SPRINGHILL, LOUISIANA

Statement of Net Assets
Proprietary Funds

June 30, 2004

<u>Assets</u>	Business-type Activities- Enterprise Funds			Total
	Water and Sewer Fund	Entertainment Fund	Cemetery Fund	
Current assets:				
Cash and cash equivalents:				
Cash and demand deposits	\$ 92,351	\$ 9,071	\$ 111,005	\$ 212,427
Certificates of deposit	122,815	-	20,000	142,815
Total cash and cash equivalents	215,166	9,071	131,005	355,242
Receivables (net of allowance for uncollectible)	90,226	-	1,227	91,453
Interest receivable	222	-	38	260
Inventories:				
Cemetery lots	-	-	76,067	76,067
Prepaid expenses	28,132	2,020	329	30,481
Due from other funds	16,569	-	-	16,569
Total current assets	350,315	11,091	208,666	570,072
Restricted Assets:				
Cash and cash equivalents:				
Cash and demand deposits	1,246,035	-	-	1,246,035
Certificates of deposit	75,000	-	-	75,000
Total cash and cash equivalents	1,321,035	-	-	1,321,035
Accrued interest receivable	121	-	-	121
Total restricted assets	1,321,156	-	-	1,321,156
Non-current assets:				
Bond issue costs - net	55,515	-	-	55,515
Capital assets (net of accumulated depreciation)	7,508,372	1,537,589	6,170	9,052,131
Total non-current assets	7,563,887	1,537,589	6,170	9,107,646
Total assets	\$ 9,235,358	\$ 1,548,680	\$ 214,836	\$ 10,998,874

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

CITY OF SPRINGHILL, LOUISIANA

Statement of Net Assets
Proprietary Funds (Continued)

June 30, 2004

	Business-type Activities- Enterprise Funds			Total
	Water and Sewer Fund	Entertainment Fund	Cemetery Fund	
Current liabilities:				
Accounts payable	\$ 27,800.00	\$ -	\$ -	\$ 27,800.00
Accrued expenses	5,315	-	-	5,315
Deferred revenue	-	-	1,531	1,531
Due to general fund	71,670	2,365	3,119	77,154
Total current liabilities	104,785	2,365	4,650	111,800
Payable from restricted assets:				
Customer deposits	111,163	-	-	111,163
Bonds Payable	300,000	-	-	300,000
Interest Payable	41,245	-	-	41,245
Total payable from restricted assets	452,408	-	-	452,408
Non-current liabilities:				
Compensated absences	3,144	-	-	3,144
Bonds Payable	3,941,000	-	-	3,941,000
Total non-current liabilities	3,944,144	-	-	3,944,144
Total liabilities	4,501,337	2,365	4,650	4,508,352
	<u>Net Assets</u>			
Invested in capital assets, net of related debt	3,267,372	1,537,589	6,170	4,811,131
Restricted for debt service	1,209,251	-	-	1,209,251
Restricted for perpetual care	-	-	5,016	5,016
Unrestricted	257,398	8,726	199,000	465,124
Total net assets	\$ 4,734,021	\$ 1,546,315	\$ 210,186	\$ 6,490,522

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

CITY OF SPRINGHILL, LOUISIANA

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

For the Year Ended June 30, 2004

	Business-type Activities- Enterprise Funds			Total
	Water and Sewer Fund	Entertainment Fund	Cemetery Fund	
Operating Revenues:				
Charges for services:				
Water sales	\$ 356,007	\$ -	\$ -	\$ 356,007
Sewer service	234,752	-	-	234,752
Ticket and concession sales	-	84,776	-	84,776
Cemetery assessments	-	-	16,647	16,647
Sales of cemetery lots	-	-	7,275	7,275
Rent of facilities	-	37,010	-	37,010
Other operating revenues	5,742	627	-	6,369
	596,501	122,413	23,922	742,836
Operating Expenses:				
Cost of sales and services	-	79,502	3,001	82,503
Water service	466,842	-	-	466,842
Sewer Service	192,421	-	-	192,421
Entertainment facilities	-	55,689	-	55,689
Cemetery maintenance	-	-	23,698	23,698
General and administrative	39,485	9,797	1,523	50,805
Depreciation	260,878	60,665	1,187	322,730
Total operating expenses	959,626	205,653	29,409	1,194,688
Operating income (loss)	(363,125)	(83,240)	(5,487)	(451,852)
Non-operating Revenues (Expenses):				
Interest earnings	12,865	-	842	13,707
Interest expense	(108,684)	-	-	(108,684)
Contributions and donations	-	3,590	-	3,590
Amortization of bond costs	(3,783)	-	-	(3,783)
Total non-operating revenues	(99,602)	3,590	842	(95,170)
Income Before Contributions and Transfers	(462,727)	(79,650)	(4,645)	(547,022)
Transfers from other funds	935,924	25,000	5,000	965,924
Change in Net Assets	473,197	(54,650)	355	418,902
Total Net Assets - beginning	4,260,824	1,600,965	209,831	6,071,620
Total Net Assets - ending	\$ 4,734,021	\$ 1,546,315	\$ 210,186	\$ 6,490,522

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

CITY OF SPRINGHILL, LOUISIANA

Statement of Cash Flows

Proprietary Funds

June 30, 2004

Cash Flows From Operating Activities		
Receipts from customers and users		\$ 746,678
Payments to suppliers		(679,905)
Payments to employees		(183,186)
Net Cash Provided by Operating Activities		<u>(116,413)</u>
Cash Flows From Noncapital Financing Activities		
Contributions and donations		3,590
Transfer to other funds		965,924
Net Cash Used by Noncapital Financing Activities		<u>969,514</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets		(343,082)
Principal paid on capital debt		(291,000)
Interest paid on capital debt		(111,513)
Net Cash Provided by Capital and Related Financing Activities		<u>(745,595)</u>
Cash Flows From Investing Activities		
Interest received		13,716
Net Cash Provided by Investing Activities		<u>13,716</u>
Net Increase in Cash and Cash Equivalents		121,222
Cash and Cash Equivalents, Beginning of Year		1,555,055
Cash and Cash Equivalents, End of Year		<u>\$ 1,676,277</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities		
Operating (loss)		\$ (451,852)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	\$ 322,730	
Decrease in accounts receivable	3,842	
Increase in inventory	(4,358)	
Increase in prepaid expense	(30,481)	
Increase in due from other funds	(16,569)	
Increase in customer deposits	9,757	
Increase in accrued expenses	1,158	
Decrease in accounts payable	46,209	
Increase in due to other funds	3,104	
Increase in compensated absences payable	213	
Decrease in deferred revenues	(166)	
Total adjustments		<u>335,439</u>
Net Cash Provided by Operating Activities		<u>\$ (116,413)</u>
Noncash investing, capital, and financing activities		None

The notes to the financial statements are an integral part of this statement.

See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

Introduction:

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

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

The City of Springhill, Louisiana, complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

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

1. Summary of Significant Accounting Policies:

Following is a summary of certain significant accounting policies:

- A. Reporting Entity - In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose a financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no entities that were determined to be component units of the City of Springhill, Louisiana.
- B. Basis of Presentation - The accompanying basic financial statements of the City have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The City implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Government*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6,

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

B. Basis of Presentation – (Continued)

Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, in 2004. Implementation of these standards required a change in the reporting format, additional footnote disclosures, and the inclusion of management's discussion and analysis as supplementary information. Implementation of these standards had no impact on the opening fund balances of the City of Springhill.

- C. Fund Accounting – The City uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the City are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

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

The funds are grouped into two fund types as described below:

Governmental Funds: Governmental funds account for all or most of the City's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations. The following are the City's governmental funds:

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

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

C. Fund Accounting – (Continued)

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

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

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

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

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's enterprise funds are:

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

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

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

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

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

Governmental Fund Financial Statements - The amounts reflected in the Governmental Fund Financial Statements are accounted for using the "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the City's operations.

The amounts reflected in the Governmental Fund Financial Statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds use the following practices in recording revenues and expenditures:

Those revenues susceptible to accrual are sales taxes, property taxes, franchise taxes, 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. Expenditures are generally recognized under the modified accrual basis when a liability is incurred. Salaries and related benefits are recorded when employee services are provided to the City. Capital outlays are reported at the time purchased. Modifications to the accrual basis of accounting include:

General obligation bond principal payments are recorded as expenditure when paid. The amount of general obligation bonds outstanding at June 30, 2004 has been reported only in the government-wide financial statements.

Employees vested sick and vacation leave is recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2004, has been reported only in the government-wide financial statements.

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

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

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

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

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

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

Government-wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities include all the financial activities of the City. Information contained in these statements reflects the "economic resources" measurement focus and the accrual basis of accounting. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues included in the Statement of Activities are (1) derived directly from charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions, and (3) Capital grants and contributions. Program revenues reduce the cost of the function to be financed from the City's general revenues. Taxes and other items not properly included in program revenues are reported instead as general revenues.

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

The City's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the City may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The City may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local Louisiana governments are authorized to invest in the Louisiana Asset Management Pool (LAMP). A nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

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

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

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

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

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

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

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

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

G. Capital Assets (Continued)

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

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

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

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

There was a total of \$15,296 of accumulated unpaid vacation as of June 30, 2004.

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

J. Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as “due to and due from other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

K. Prepaid Expenses – Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid expenses.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

- L. Restricted Assets – Restricted assets include cash and cash equivalents and accrued interest receivable of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and customer’s water and sewer deposits.
- M. Long-term Debt – The accounting treatment of long-term debt depends upon whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The City’s long term debt consists of revenue bonds payable, customer’s sewer deposits, and vested vacation leave that are not expected to be liquidated with expendable available resources.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

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

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

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

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies (Continued):

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

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

- Q. Inventories – Inventories in the governmental funds consist of aviation fuel which is valued at cost on a first-in, first out basis. Inventories in the proprietary funds consist primarily of cemetery lots which are valued at cost on a specific identification basis.
- R. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents:

These deposits are stated at cost, which approximates market value. At June 30, 2004, the carrying amount of the City's deposits was \$7,081,776, and the collected bank balance was \$7,459,419. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The bank balances were fully protected by \$200,000 of federal depository insurance (GASB Category 1) and \$7,259,419 of pledged securities held by the custodial bank in the name of the fiscal agency bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes deposits that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counter-party, or by its trust department or agent but not in the City's name.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

2. Cash and Cash Equivalents (Continued):

Description	Category			Bank Balance	Market Value
	1	2	3		
Demand deposit accounts	\$ 200,000	\$ -	\$ 6,426,604	\$ 6,626,604	\$ 6,626,604
Time deposit accounts	-	-	832,815	832,815	832,815
Total cash and cash equivalents	\$ 200,000	\$ -	\$ 7,259,419	\$ 7,459,419	\$ 7,459,419

3. Property Taxes:

For the year ended June 30, 2004 , taxes of 18.04 mills were levied on property will assessed valuations totaling \$17,643,920 and were dedicated as follows:

General alimony	7.54 mills
Retirement of bonded indebtedness	10.50 mills

Total ad valorem taxes levied were \$318,307. Taxes receivable at June 30, 2004, were \$1,435.

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

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

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

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

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

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

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

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

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

5. Receivables:

As of June 30, 2004, receivables consist of the following:

	General Fund	Sales Tax Fund	Water and Sewer Fund	Cemetery Fund	Total
Taxes receivable:					
Sales taxes	\$ -	\$ 174,182	\$ -	\$ -	\$ 174,182
Franchise taxes	35,836	-	-	-	35,836
Ad valorem taxes	1,435	-	-	-	1,435
Video Poker	45,532	-	-	-	45,532
	82,803	174,182	-	-	256,985
Accounts	18,292	-	91,226	7,007	116,525
Allowance	(1,290)	-	(1,000)	(5,780)	(8,070)
	17,002	-	90,226	1,227	108,455
Total	\$ 99,805	\$ 174,182	\$ 90,226	\$ 1,227	\$ 365,440

6. Interfund Receivables/Payables:

Due from/to other funds at June 30, 2004, are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 77,154	\$ 16,918
Debt Service Fund	349	-
Water and Sewer Fund	16,569	71,670
Entertainment Fund	-	2,365
Cemetery Fund	-	3,119
	\$ 94,072	\$ 94,072

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

7. Capital Assets:

Capital assets and depreciation activity as of and for the year ended June 30, 2004 for the City is as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 298,661	\$ 11,515	\$ (25,000)	\$ 285,176
Capital assets being depreciated:				
Buildings	1,436,827	259,505	-	1,696,332
Improvements other than buildings	71,389	17,231	-	88,620
Equipment	773,309	11,800	-	785,109
Infrastructure	-	1,763,070	-	1,763,070
Total capital assets being depreciated	<u>2,281,525</u>	<u>2,051,606</u>	<u>-</u>	<u>4,333,131</u>
Less accumulated depreciation for:				
Buildings	322,583	33,054	-	355,637
Improvements other than buildings	47,608	1,461	-	49,069
Equipment	522,278	43,101	-	565,379
Infrastructure	-	6,919	-	6,919
Total accumulated depreciation	<u>892,469</u>	<u>84,535</u>	<u>-</u>	<u>977,004</u>
Total capital assets - net	<u>\$ 1,687,717</u>	<u>\$ 1,978,586</u>	<u>\$ (25,000)</u>	<u>\$ 3,641,303</u>

Depreciation expense of \$84,535 for the year ended June 30, 2004, was charged to the following governmental functions:

General government	\$ 19,625
Public safety	33,718
Parks and recreation	6,244
Streets	15,978
Airport	2,273
Maintenance	6,697
Total	<u>\$ 84,535</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

7. Capital Assets (Continued):

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 28,490	\$ 20,000	\$ -	\$ 48,490
Capital assets being depreciated:				
Buildings	1,733,734	-	-	1,733,734
Improvements other than buildings	57,997	-	-	57,997
Furniture and fixtures	111,031	-	-	111,031
Equipment	211,522	26,963	-	238,485
Vehicles	60,038	-	-	60,038
Water plant	2,110,994	201,529	-	2,312,523
Sewer plant	8,113,245	134,649	-	8,247,894
Total capital assets being depreciated	<u>12,398,562</u>	<u>363,141</u>	<u>-</u>	<u>12,761,703</u>
Less accumulated depreciation for:				
Buildings	262,945	46,289	-	309,234
Improvements other than buildings	38,950	1,603	-	40,553
Furniture and fixtures	28,371	12,577	-	40,947
Equipment	143,220	17,065	-	160,285
Vehicles	51,425	4,403	-	55,828
Water plant	1,270,549	44,558	-	1,315,107
Sewer plant	1,639,872	196,236	-	1,836,108
Total accumulated depreciation	<u>3,435,331</u>	<u>322,730</u>	<u>-</u>	<u>3,758,061</u>
Total capital assets - net	<u>\$ 8,991,720</u>	<u>\$ 60,411</u>	<u>\$ -</u>	<u>\$ 9,052,131</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

8. Changes in Long-Term Obligations:

The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Governmental Funds:				
General Obligation Bonds Payable from Tax Revenue:				
2001 Refunding General Obligation Bonds	\$ 1,250,000	\$ -	\$ (110,000)	\$ 1,140,000
Compensated absences	10,829	1,323	-	12,152
Total	<u>\$ 1,260,829</u>	<u>\$ 1,323</u>	<u>\$ (110,000)</u>	<u>\$ 1,152,152</u>
Proprietary Funds:				
Sales Tax Bonds:				
1995 DEQ Bond	\$ 3,500,000	\$ -	\$ (225,000)	\$ 3,275,000
1997 DEQ Bond	1,032,000	-	(66,000)	966,000
Total revenue bonds	4,532,000	-	(291,000)	4,241,000
Compensated absences	2,931	213	-	3,144
Total	<u>\$ 4,534,931</u>	<u>\$ 213</u>	<u>\$ (291,000)</u>	<u>\$ 4,244,144</u>

Bonds payable at June 30, 2004, are comprised of the following individual issues:

General Obligation:

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

\$ 1,140,000

Sales Tax Bonds:

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

3,275,000

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

966,000

5,381,000

(415,000)

\$ 4,966,000

Less current portion

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

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

The total annual requirements to amortize all debt outstanding as of June 30, 2004, including interest payments of \$965,640 are as follows:

General Obligation Bond			
2005	\$ 115,000	\$ 48,993	\$ 163,993
2006	125,000	46,117	171,117
2007	130,000	42,055	172,055
2008	140,000	36,725	176,725
2009	145,000	30,775	175,775
2010-2012	<u>485,000</u>	<u>49,500</u>	<u>534,500</u>
Total Governmental Funds	<u>1,140,000</u>	<u>254,165</u>	<u>1,394,165</u>
Proprietary Funds:			
1995 DEQ Bond			
2005	230,000	80,238	310,238
2006	235,000	74,603	309,603
2007	245,000	68,845	313,845
2008	250,000	62,843	312,843
2009	260,000	56,718	316,718
2010-2016	<u>2,055,000</u>	<u>207,148</u>	<u>2,262,148</u>
Total	<u>3,275,000</u>	<u>550,395</u>	<u>3,825,395</u>
1996 DEQ Bond			
2005	70,000	23,831	93,831
2006	73,000	21,952	94,952
2007	73,000	20,164	93,164
2008	77,000	18,375	95,375
2009	77,000	16,489	93,489
2010-2016	<u>596,000</u>	<u>60,270</u>	<u>656,270</u>
Total	<u>966,000</u>	<u>161,081</u>	<u>1,127,081</u>
Total Proprietary Funds	<u>4,241,000</u>	<u>711,476</u>	<u>4,952,476</u>
Totals	<u>\$ 5,381,000</u>	<u>\$ 965,640</u>	<u>\$ 6,346,640</u>

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

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

Restricted assets consisted of the following at June 30, 2004:

DEQ Bonds Sinking Fund	\$ 337,424
DEQ Bonds Reserve Fund	435,913
DEQ Bonds Depreciation Reserve Fund	435,913
Customer meter deposits	111,784
Accrued interest receivable from restricted assets	121
	<u>\$ 1,321,155</u>

10. Notes Receivable:

The City has two notes receivable at June 30, 2004 as follows:

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

On March 16, 2004, the City sold the City Beautification Building for \$15,000; due in monthly installments of \$159 for ten years with interest of 5.0003%.

The expected cash flows from these sales are as follows:

	Spring Theatre		Beautification Building		Total
	Principal	Interest	Principal	Interest	
2005	\$ 747	\$ 823	\$ 1,203	\$ 706	\$ 3,479
2006	793	777	1,264	645	3,479
2007	842	728	1,329	580	3,479
2008	892	678	1,397	512	3,479
2009	949	621	1,468	441	3,479
2010-2014	9,825	2,470	8,016	1,054	21,365
	<u>\$ 14,048</u>	<u>\$ 6,097</u>	<u>\$ 14,677</u>	<u>\$ 3,938</u>	<u>\$ 38,760</u>

11. Retirement Systems:

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

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

11. Retirement Systems (Continued):

Municipal Employees Retirement System of Louisiana (System)

A. Plan Description

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from City funds and all elected City officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

B. Funding Policy

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 11.00% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City of Springhill, Louisiana are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Springhill, Louisiana's contributions to the System under Plan A for the years ending June 30, 2004 and 2003 were \$64,791 and \$45,528, respectively, equal to the required contributions for each year.

Municipal Police Employees Retirement System of Louisiana (System):

- A. Plan Description - All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

11. Retirement Systems (Continued):

Municipal Police Employees Retirement System of Louisiana (System) (Continued):

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

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

- B. Funding Policy – Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City of Springhill, Louisiana, is required to contribute at an actuarially determined rate. The current rate is 15.25% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Springhill, Louisiana's contributions to the System for the year ending June 30, 2004 and 2003 was \$37,981, and \$20,582, respectively, equal to the required contributions for each year.

12. Commitments and Contingencies:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

At June 30, the City of Springhill was a defendant in a lawsuit and a likely defendant in another pending litigation. The City's legal counsel has reviewed the claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City and to arrive at an estimate, if any, of the amount or range of potential loss to the City not covered by insurance. As a result of the review, there are no claims or pending litigation which is expected to result in a liability to the City which is not considered coverable by insurance.

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

13. Related Party Transactions:

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended June 30, 2004.

CITY OF SPRINGHILL, LOUISIANA

Notes to the Financial Statements

June 30, 2004

14. Interfund Operating Transfers:

Individual fund operating transfers for the fiscal year 2004 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,991,599	\$ 205,000
Sales Tax Fund		2,752,523
Water and Sewer Fund	935,924	
Cemetery Fund	5,000	
Entertainment Fund	25,000	
	<u>\$ 2,957,523</u>	<u>\$ 2,957,523</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPRINGHILL, LOUISIANA

Budgetary Comparison Schedule

General Fund

June 30, 2004

	General Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 125,800	\$ 130,783	\$ 133,493	\$ 2,710
Sales and Use	-	-		
Franchise	170,000	187,000	191,633	4,633
Beer	10,000	10,000	12,404	2,404
Licenses and permits	179,500	184,000	186,254	2,254
Video Poker Revenue	190,000	190,000	246,676	56,676
Fines and forfeits	107,500	119,000	126,125	7,125
Intergovernmental:				
Federal Grants	7,500	18,752	45,631	26,879
State funds:	1,533,000	1,079,821	903,059	(176,762)
Interest	10,000	9,000	8,021	(979)
Rent	4,240	6,440	6,811	371
Oil and Gas	18,000	118,000	120,912	2,912
Contributions	3,000	5,310	5,705	395
Miscellaneous	55,648	60,587	69,501	8,914
Total revenues	2,414,188	2,118,693	2,056,225	(62,468)
Expenditures:				
Current:				
General government	407,517	438,398	435,239	3,159
Public safety	647,845	721,179	685,150	36,029
Parks and recreation	101,900	102,400	96,138	6,262
Streets	303,134	300,084	274,017	26,067
Airport	40,490	51,608	55,962	(4,354)
Transportation	25,732	27,261	26,922	339
Maintenance	123,784	134,854	129,138	5,716
Ward Court	80,933	81,774	81,193	581
Driver's License Bureau	8,000	7,453	6,441	1,012
Capital Outlay	3,135,500	2,730,600	2,063,121	667,479
Total expenditures	4,874,835	4,595,611	3,853,321	742,290
Excess of revenues over (under) expenditures	(2,460,647)	(2,476,918)	(1,797,096)	679,822
Other financing sources (uses):				
Transfers from other funds	2,399,000	2,400,000	1,991,599	(408,401)
Transfers to other funds	-	(400,000)	(205,000)	195,000
Sale of assets	-	18,050	33,050	15,000
Total other financing sources (uses)	2,399,000	2,018,050	1,819,649	(198,401)
Net Change in Fund Balance	(61,647)	(458,868)	22,553	481,421
Fund balance at beginning of year	1,390,576	1,390,576	1,390,576	-
Fund balance at end of year	\$ 1,328,929	\$ 931,708	\$ 1,413,129	\$ 481,421

The notes to the financial statements are an integral part of this statement.

See the accompanying independent auditor's report.

CITY OF SPRINGHILL, LOUISIANA

Budgetary Comparison Schedule
Sales Tax Fund

June 30, 2004

	Sales Tax Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes:				
Sales and Use	\$ 1,900,000	\$ 1,870,000	\$ 2,079,831	\$ 209,831
Interest	90,000	45,000	38,275	(6,725)
Total revenues	<u>1,990,000</u>	<u>1,915,000</u>	<u>2,118,106</u>	<u>203,106</u>
Expenditures:				
Current:				
General government	29,000	29,000	29,545	(545)
Total expenditures	<u>29,000</u>	<u>29,000</u>	<u>29,545</u>	<u>(545)</u>
Excess of revenues over (under) expenditures	<u>1,961,000</u>	<u>1,886,000</u>	<u>2,088,561</u>	<u>202,561</u>
Other financing sources (uses):				
Transfers to other funds	(2,962,249)	(2,965,923)	(2,752,523)	213,400
Total other financing sources (uses)	<u>(2,962,249)</u>	<u>(2,965,923)</u>	<u>(2,752,523)</u>	<u>213,400</u>
Net Change in Fund Balance	(1,001,249)	(1,079,923)	(663,962)	415,961
Fund balance at beginning of year	4,511,239	4,511,239	4,511,239	-
Fund balance at end of year	<u>\$ 3,509,990</u>	<u>\$ 3,431,316</u>	<u>\$ 3,847,277</u>	<u>\$ 415,961</u>

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

CITY OF SPRINGHILL, LOUISIANA

Budgetary Comparison Schedule
Debt Service Fund

June 30, 2004

	Debt Service Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 175,000	\$ 175,000	\$ 183,799	\$ 8,799
Interest	500	100	90	(10)
Total revenues	<u>175,500</u>	<u>175,100</u>	<u>183,889</u>	<u>8,789</u>
Expenditures:				
Debt Service:				
Principal retirement	110,000	110,000	110,000	-
Interest	49,103	49,103	49,103	-
Total expenditures	<u>159,103</u>	<u>159,103</u>	<u>159,103</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>16,397</u>	<u>15,997</u>	<u>24,786</u>	<u>8,789</u>
Net Change in Fund Balance	16,397	15,997	24,786	8,789
Fund balance at beginning of year	195,536	195,536	195,536	-
Fund balance at end of year	<u>\$ 211,933</u>	<u>\$ 211,533</u>	<u>\$ 220,322</u>	<u>\$ 8,789</u>

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

CITY OF SPRINGHILL, LOUISIANA

Notes to Budgetary Comparison

June 30, 2004

The proposed budget for the June 30, 2004, fiscal year was made available for public inspection at the office of the mayor in the City Hall of Springhill, Louisiana on May 8, 2003. The proposed budget is prepared in accordance with the Generally Accepted Accounting Principles (GAAP).

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

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

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

Expenditures may not legally exceed appropriations at the fund level. Appropriations that are not expended lapse at year end. *The budget was amended on June 14, 2004 for the year ended June 30, 2004.*

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF SPRINGHILL, LOUISIANA
Schedule of Mayor and Aldermen's Compensation
For the Year Ended June 30, 2004

During 2004, the following amounts were paid to the Mayor and City Aldermen:

	<u>Meetings Attended</u>	<u>Pay Received</u>	<u>Expense Re-imbursements</u>	<u>Total</u>
John D. Herrington, Mayor	22	\$ 38,916	\$ 14,293	\$ 53,209
Aldermen:				
Edward Bankhead - District 1	22	7,800	839	8,639
Jimmy W. Morgan - District 2	24	7,200	1,081	8,281
Robert Hilburn - District 3	21	7,200	692	7,892
Carroll Breaux - District 4	21	7,200	-	7,200
W. Ray Huddleston - District 5	23	7,200	2,736	9,936
Totals		<u>\$ 75,516</u>	<u>\$ 19,641</u>	<u>\$ 95,157</u>

The current elected officials are as follows:

Office expiration date – December 31, 2006

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

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

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

The Honorable Johnny Herrington, Mayor
and the Members of the Board of Aldermen
City of Springhill, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springhill, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the City of Springhill, Louisiana's basic financial statements, and have issued our report thereon dated December 30, 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 of Springhill, Louisiana'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-2, and 2004-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Springhill, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to sufficient deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the City of Springhill, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-4, 2004-5, and 2004-6.

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 items 2004-4 and 2004-6 to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Aldermen, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Smith Pugh & Company, LLP

Smith, Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana
December 30, 2004

CITY OF SPRINGHILL, LOUISIANA

Schedule of Findings and Questioned Costs

June 30, 2004

FINDINGS RELATED TO COMPLIANCE

Item: 2004-1

Criteria or specific requirement:

Article VII Section 14 (A) of the Louisiana Constitution provides in part "Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

Condition:

The City of Springhill, Louisiana has entered into an agreement to seller finance, on an installment basis, the purchase of property from the City by an individual.

Questioned costs:

\$15,000

Context:

The entity is not in compliance with the state constitution.

Effect:

A portion of the City's assets have been loaned to an individual.

Cause:

Unknown

Recommendation:

The Town should comply and the provisions of Article VII, Section 14 of the Louisiana Constitution and request the purchaser to refinance the property with a lending institution and to pay in full his obligation to the City.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Findings and Questioned Costs

June 30, 2004

FINDINGS RELATED TO COMPLIANCE (Continued)

Item: 2004-2

Criteria or specific requirement:

The Lawrason Act requires all disbursements of the City of Springhill to be signed by the Mayor, Mayor Pro-tem (in the mayor's absence), and the City Clerk.

Condition:

The Police Chief has signature authority for the police bond checking account. He and his administrative deputy have signed checks on these accounts authorizing disbursement of funds.

Questioned costs:

None.

Context:

The entity is not in compliance with the Lawrason Act.

Effect:

Public funds are being disbursed in a manner not allowed under the Lawrason Act.

Cause:

Unknown

Recommendation:

The Police Chief should cease signing disbursement checks and his name should be removed from the bank's list of authorized signatures. All disbursements of the Town should be signed by individuals authorized to do so by the Lawrason Act.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Findings and Questioned Costs

June 30, 2004

FINDINGS RELATED TO COMPLIANCE (Continued)

Item: 2004-3

Criteria or specific requirement:

The City may sell immovable property only through public advertisement and public bid, although movables may be sold at public auction.

Condition:

The City sold property located at 900 Coyle Street without properly advertising it for public bid.

Questioned costs:

Unknown.

Context:

The City is not in compliance with Louisiana Revised Statute 41:131.

Effect:

Public immovable property was not properly disposed by the City.

Cause:

Unknown

Recommendation:

The City should dispose of immovable property through public advertisement and sealed bids.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Findings and Questioned Costs

June 30, 2004

FINDINGS RELATED TO COMPLIANCE (Continued)

Internal Control Findings:

Item: 2004-4

Criteria or specific requirement:

Good accounting control requires all event tickets available for sale to be accounted and reconciled to cash receipts.

Condition:

Currently concert tickets are pre-numbered for reserved seating only; general admission and overflow tickets are not pre-numbered. In at least one instance, overflow tickets were printed locally with no record of the total number of tickets printed.

Questioned costs:

Unknown.

Context:

Without knowledge of the total number of concert tickets of each type, (reserved, general admission, and overflow) printed, it is impossible to reconcile total available tickets to cash receipts and un-issued tickets.

Effect:

The City of Springhill is unable to reconcile ticket sales to cash receipts and un-issued tickets to ensure a full and accurate accounting of tickets issued.

Cause:

Unknown

Recommendation:

The City should have all tickets pre-numbered. At the end of each event, all un-issued tickets should be provided to the City Clerk. The Clerk should total them by type and place them in the vault for safekeeping. The Clerk should then prepare a ticket reconciliation proving the amount of cash received to the total number of tickets issued and reconciling the total number of tickets issued and un-issued (held in the vault) to the total number of tickets available for sale.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Findings and Questioned Costs

June 30, 2004

FINDINGS RELATED TO COMPLIANCE (Continued)

Item: 2004-5

Criteria or specific requirement:

Good accounting control requires all building permit applications be accounted and reconciled to cash receipts.

Condition:

Currently building permit applications are not pre-numbered.

Questioned costs:

None.

Context:

Without using pre-numbered building permit applications, it is impossible to account for all issued documents and to reconcile them to cash receipts.

Effect:

The City of Springhill is unable to ensure that the proper fees have been received and deposited into public accounts for all building permits issued.

Cause:

Unknown

Recommendation:

The City should use pre-numbered building permit applications in sequential order. The application should be fully completed and provide sufficient information to allow identification of the type of building permit requested. The inspector should sign and date the building application to indicate completion of the inspection.

CITY OF SPRINGHILL, LOUISIANA

Schedule of Findings and Questioned Costs

June 30, 2004

FINDINGS RELATED TO COMPLIANCE (Continued)

Item: 2004-6

Criteria or specific requirement:

Good accounting control requires all police tickets to be accounted and reconciled to cash receipts.

Condition:

Currently police tickets are not being issued in sequential order and the tickets are not properly tracked.

Questioned costs:

Unknown.

Context:

Without using pre-numbered tickets, in sequential order, it is impossible to account for all issued tickets and to reconcile them to cash receipts.

Effect:

The City of Springhill is unable to ensure that the proper fines have been received and deposited into public accounts for all police tickets issued.

Cause:

Unknown

Recommendation:

The police department should limit the tickets issued to each officer to no more than two (2) ticket books. The officers should be required to sign a ticket log to acknowledge receipt of the ticket books and then issue the citations in sequential order. The police department should then track the issuance and disposition of the outstanding tickets. An excel spreadsheet can easily be used for this purpose or a specific purpose computer program can be utilized. The fines collected by the police department should be deposited into an escrow account on a daily basis.

CITY OF SPRINGHILL, LOUISIANA

Summary Schedule of Prior Audit Findings June 30, 2004

PRIOR AUDIT FINDINGS RELATED TO COMPLIANCE

Finding 2003-01: Local Government Budget Act

Condition: The City continues to be in violation of LSA R.S. 39:1309. Budgeted intergovernmental revenues in the general fund exceed actual by more than 8%.

Recommendation: Revenues as well as expenditures need to be monitored and the budget amended when necessary because of a shortfall.

Status: Resolved. No similar finding in the current fiscal year.

PRIOR AUDIT FINDINGS RELATED TO INTERNAL CONTROL

Finding 2003-02: Comprehensive Chart of Accounts

Condition: Although the inconsistencies in posting to the general ledger noted in 2002-3 were not noted this year, the expanded chart of accounts which was recommended has still not been completed.

Recommendation: I continue to recommend the completion of this valuable accounting tool.

Status: Resolved. No similar finding in the current fiscal year.

Finding 2003-03: Control Over Ticket Sales

Condition: Many instances were noted of inconsistencies in accounting for tickets for the Piney woods Palace.

Complimentary tickets were given to some employees for assisting the musicians with loading and unloading equipment, in violation of labor laws.

Recommendation: The accounting procedures encountered for the operation of the Pineywoods Palace appear to be normal for such an entertainment facility. However, I feel there can be opportunity for abuse if not properly controlled. I recommend that a policy and procedures manual be prepared and consistently followed for the operations of the theater. The policies should address accounting for all tickets, including complimentary and un issued tickets.

Status: Not resolved. See current year finding 2004-4.



CITY OF SPRINGHILL

JOHN D. HERRINGTON
MAYOR

101 MACHEN DRIVE P.O. BOX 398
SPRINGHILL, LOUISIANA 71075
PHONE (318) 539-5681 FAX (318) 539-5683

EDWARD BANKHEAD, Alderman
CARROLL BREAUX, Alderman
ROBERT HILBURN, Alderman
RAY HUDDLESTON, Alderman
JIMMY MORGAN, Alderman
FAYE FARRAR, City Clerk
RONNIE COLEMAN, Chief of Police
E. CHARLES JACOBS, City Attorney
VICKY ADKINS, Interim Assistant Clerk

The management of City of Springhill, Louisiana submits the following corrective plan of action in response to the findings related to compliance and the findings related to internal control. The planned responses are numbered consistently with the numbers assigned to the related items in the Schedule of Findings and Questioned Costs.

FINDINGS RELATED TO COMPLIANCE

Item 2004-1: Seller Finance Purchase of Property from the City by an Individual

The City will request the individual to refinance the loan with a financing institution and repay the loan in full. In the future, the City will require full payment at the time of sale for any property sold by the City.

Item 2004-2: Police Chief Signature Authority for Police Bond Checking Account

The City will remove the Chief of Police as an authorized signor for the account. The Mayor and the City Clerk will sign checks for this account from this point forward.

Item 2004-3: Sold Property without Advertising for Public Bid

The City will advertise for public bid any immovable property that the City wishes to sell in the future.

FINDINGS RELATED TO INTERNAL CONTROL

Item 2004-4: Pre-numbered Tickets for Concerts

The City will account for all tickets sold for concerts by printing pre-numbered tickets for all types of seating (reserved, general admission, and overflow). The City Clerk will reconcile the cash received to the tickets issued and the tickets issued and un-issued to the total tickets available.

Item 2004-5: Building Permits

The City will order pre-numbered building permit applications. The applications will be accounted for as well as completely filled out and signed by the inspector

Item 2004-6: Police Tickets

The City will limit the tickets issued to each officer. A log book will be maintained. The officers will issue tickets in sequential order. The police department will set up an excel spreadsheet to track the issuance and disposition of the outstanding tickets. The fines will be deposited into an escrow account on a daily basis.