

**Comprehensive
Annual Financial Report
of the**

CITY OF DENHAM SPRINGS

Denham Springs, Louisiana

**For the Fiscal Year Ended
June 30, 2005**

**Prepared by the
City of Denham Springs
Accounting Department**

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 1/25/06

**CITY OF DENHAM SPRINGS
DENHAM SPRINGS, LOUISIANA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

	<u>EXHIBIT/ SCHEDULE/ TABLE</u>	<u>PAGE NUMBER</u>
<u>INTRODUCTORY SECTION</u>		
Table of Contents		i
Letter of Transmittal		iv
Principal Elected Officials		x
Organizational Chart		xi
Certificate of Achievement for Excellence in Financial Reporting		xii
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report		1 - 2
Management's Discussion and Analysis		3 - 19
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	Exhibit A-1	21
Statement of Activities	Exhibit A-2	22 - 23
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	Exhibit B-1	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	Exhibit B-2	25
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit B-3	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit B-4	27
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	Exhibit B-5	28 - 38

**CITY OF DENHAM SPRINGS
DENHAM SPRINGS, LOUISIANA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005**

TABLE OF CONTENTS (CONTINUED)

	<u>EXHIBIT/ SCHEDULE/ TABLE</u>	<u>PAGE NUMBER</u>
<u>FINANCIAL SECTION (CONTINUED)</u>		
Proprietary Funds:		
Statement of Net Assets	Exhibit C-1	39 - 40
Statement of Revenues, Expenses, and Changes in Net Assets	Exhibit C-2	41
Statement of Cash Flows	Exhibit C-3	42 - 43
Notes to Financial Statements		44 - 79
Combining and Individual Fund Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	Exhibit D-1	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D-2	82
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Capital Projects Fund	Exhibit D-3	83
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Special Revenue Fund	Exhibit D-4	84
Capital Assets Used in the Operation of Governmental Funds:		
Capital Assets Used in the Operation of Governmental Funds Schedule by Source	Exhibit E-1	85
Capital Assets Used in the Operation of Governmental Funds Schedule by Function and Activity	Exhibit E-2	86 - 87
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity	Exhibit E-3	88
Schedule (Supplementary Information):		
Schedule of Insurance Coverage in Force	Schedule 1	90 - 93

**CITY OF DENHAM SPRINGS
DENHAM SPRINGS, LOUISIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005**

TABLE OF CONTENTS (CONTINUED)

	<u>EXHIBIT/ SCHEDULE/ TABLE</u>	<u>PAGE NUMBER</u>
<u>STATISTICAL SECTION (UNAUDITED)</u>		
General Fund Expenditures and Other Uses by Function	Schedule 2	95 - 96
General Fund Revenues and Other Financing Sources	Schedule 3	97 - 98
General Fund Tax Revenues by Source	Schedule 3A	97 - 98
Property Tax Levies and Collections	Schedule 4	99
Assessed and Estimated Actual Value of Taxable Property	Schedule 5	100
Property Tax Rates and Tax Levies - Direct and Overlapping Governments	Schedule 6	101 - 102
Special Assessment Collections	Schedule 7	103
Statement of Legal Debt Limit	Schedule 8	104 - 105
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	Schedule 9	106 - 107
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	Schedule 10	108
Computation of Direct and Overlapping Debt	Schedule 11	109
Summary of Revenue Bond Coverage	Schedule 12	110 - 111
Demographics Statistics	Schedule 13	112
Construction	Schedule 14	113
Principal Sales Taxpayers	Schedule 15	114
Miscellaneous Statistics	Schedule 16	115



City of Denham Springs

MAYOR

JAMES E. DURBIN

MAYOR PRO-TEMPORE

ARTHUR L. PERKINS, SR.

CITY CLERK

JOAN LEBLANC

October 2, 2005

CITY COUNCIL

LORI LAMM-WILLIAMS

GEORGE E. MEADORS

ARTHUR L. PERKINS, SR.

ROBERT POOLE

JOHN WASCOM

To the Honorable Mayor, Members of the City Council,
And Citizens of the City of Denham Springs

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Denham Springs for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the City of Denham Springs. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Denham Springs has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Denham Springs's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Denham Springs's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Hannis T. Bourgeois, LLP, a firm of licensed certified public accountants has audited the City of Denham Springs's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Denham Springs for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Denham Springs's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

During the current fiscal year, the City was not required to undergo a single audit in conformance with the provisions of the revised Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to the auditor's report on Compliance and on Internal Control over Financial Reporting, is included in a separately issued report and is available upon request.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Denham Springs's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Denham Springs, incorporated in 1903, is located on the western side of Livingston Parish and is adjacent to East Baton Rouge Parish, which contains the capital city of Baton Rouge and is a major industrial area. The City of Denham Springs currently occupies a land area of 6.12 square miles and serves a population of 10,167. The City of Denham Springs is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Denham Springs has operated under the mayor-board of aldermen (city council) form of government since 1903. Policy-making and legislative authority are vested in a governing council consisting of five council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing, with the approval of the city council, the heads of the various departments. The mayor and the city council are elected at large. The mayor and the five council members serve four-year terms.

The City of Denham Springs provides a full range of services, including police and fire protection, maintenance of streets and drainage, maintaining landscape beautification, animal control, litter control, cemetery, general administrative services, planning and zoning, building inspection, main street program, health services, gas services, water services, sewer services, and recycling and solid waste disposal.

The annual budget serves as the foundation for the City of Denham Springs's financial planning and control. All agencies of the City of Denham Springs are required to submit requests for appropriation to the government's city treasurer. The city treasurer uses these requests as the starting point for developing a proposed budget. The city treasurer then presents this proposed budget to the city council for review. The city council is required to hold a public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Denham Springs's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

For the general fund, this comparison is presented on pages 26 - 36 as part of the financial statements of the governmental funds. The only other governmental funds with an annual appropriated budget are the Capital Projects and Witness Fee Special Revenue Fund. These funds are considered nonmajor funds. The budget comparisons are presented on pages 81 and 82 as part of the financial statements of the governmental funds.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Denham Springs operates.

Local economy. The City of Denham Springs continues to enjoy a favorable economic environment and local indicators point to continued stability. The region has a varied industrial base that adds to the relative stability of the unemployment rate. Major industrial areas located within close proximity include the petrochemical manufacturing plants and the companies supported by these plants such as suppliers, contractors, professionals and financial institutions. Add to this the state governmental job availability in the surrounding areas of Baton Rouge, the state capital for the State of Louisiana, and the businesses supported directly and indirectly.

On August 28-29, 2005 the City was damaged by Hurricane Katrina and then received additional damage on September 23-24, 2005 by Hurricane Rita. The impact of Hurricane Katrina and Hurricane Rita initially indicate short-term disruptions within the City due to power outages. Damage was mostly to trees leaving several tons of debris along with closure of streets due to fallen trees, and with Hurricane Rita the concern for flooding. Approximately eight homes within the City's gas service area sustained damage requiring the gas meter to be cut-off until repairs are made. Immediately noticed is increased traffic within the City due to evacuees from the devastated parishes of Orleans, Jefferson, Plaquemine, St. Bernard, and St. Tammany. Presently, the West Livingston Recreation Facility within the City of Denham Springs is being used as an official evacuee shelter. The City is providing medical assistance and supplies, shelter security, and a generator to operate the portable air conditioning unit. Local churches and families are also providing temporary shelter. Otherwise, all business activities within the City and the surrounding metropolitan area of Baton Rouge are up and operating to meet the demands of our local citizens and our displaced Louisiana residents. The City anticipates increased sales tax revenue resulting from preparation cost, repair cost, and the additional cost of feeding evacuees. All other revenues are anticipated to continue to meet budgeted amounts. The cost incurred by the City for emergency protective measures, operation cost of West Livingston Recreation Facility Shelter, and debris cleanup is 100% reimbursable by the Federal Emergency Management Agency (FEMA).

It cannot be determined at this time what effect the evacuees will have on the long-term population growth of the City and its surrounding areas. It is expected that population growth in areas near Denham Springs will continue as new residents relocate to Livingston Parish to enjoy lower crime rates and a respected school system. Retailers are following the population growth and are locating or expanding operations within the City of Denham Springs. Availability of commercial properties with city services including police and fire protection are major factors with retailers deciding to locate here.

Anticipated is the development of a new Bass Pro Shop. Conservatively, construction cost for this new retail center is between \$40-\$50 million dollars. Anticipated additional construction is a hotel and a "power strip mall".

The development of the 160,000 square foot Bass Pro Shop within the new city limits was made possible through annexation. The City and the United States Justice Department both gave final approval for the annexation of a tract of land on the north side and three tracts of land on the south side of the City. Accomplished was the City's goal of expanding commercial growth within the city, and in return providing commercial business fire and police protection plus the additional benefit of saving on their property insurance.

The region (which includes the City of Denham Springs and the surrounding unincorporated area within Livingston Parish) has an employed labor force as of June 2005 of approximately 47,690. The City of Denham Springs' central business district is expected to maintain its current 97 percent occupancy rate with a variety of stores, specialty shops, and commercial businesses.

Long-term financial planning. The City will continue to improve services and upgrade infrastructure. Projects planned for the future include:

- Construction of the projected \$7 million Range Avenue pairing project. This project is to be funded by the State of Louisiana.
- Construction of an interchange loop at Pete's Highway. This interchange project is anticipated to be funded by Federal and State appropriations.
- Extension of River Road to the traffic signal at Highway 1032 (4-H Club Road). The existing outlet for River Road is anticipated to be a dead end.
- Widening the intersection of Lockhart Road and Hatchell Lane to accommodate a turn lane and signal light synchronization.
- Widening the intersection of Hatchell Lane and Florida Boulevard to accommodate a turn lane and signal light synchronization.
- Widening the intersection of Pete's Highway and Florida Boulevard to accommodate a turn lane and signal light synchronization.
- Explore the possibility of annexing additional areas that encompass the construction of federally funded new interstate interchanges, one of which is currently under construction at Juban Road and the other planned for Pete's Highway. This area will add additional commercial growth within the City.
- Planning and funding sources continue to be studied for the upgrade of Tate Road from Range Avenue and an extension of Tate Road to Juban Road. This planned curb and gutter street will provide access for the planned construction of a new high school. This will provide a link to the new interstate interchange and provide new commercial areas. This is within the area under consideration for annexation. This is a project expected to require a minimum of five years to complete.

- A larger sewer pump station is being planned for the area bordered by Veterans Boulevard, Range Avenue, Rushing Road, and Florida Avenue. The projected cost is \$300,000.
- Four sewer pump stations are being planned for Hatchell Lane/Vulcan Foundry/Eastover/Cathryn Street. The projected cost is \$617,000. This project is to be funded by a 75% (\$463,000) U.S. Army Corps of Engineers grant. The City's match is \$154,000.
- Seeking grant funding to replace an existing 18" sewer trunk line between Pete's Hwy and Range Avenue. The projected cost is \$400,000.
- Plan and study the upgrade of the water and sewer systems within the City of Denham Springs, and the improvement of water lines on Hwy 16 (Pete's Highway) toward Port Vincent.

Cash management policies and practices. The City of Denham Springs conservatively invested its idle funds in certificates of deposit through its current fiscal agent, Hibernia National Bank. Investments are collateralized with securities pledged by the financial institution and held in our name by an approved third-party custodial bank. Procedures followed and securities pledged are in accordance with the Statutes of the State of Louisiana. The maturities of the certificates of deposit range from 180 days to 365 days, with an average maturity of 180 days. The average yield on the certificates of deposit was 2.40% for the City of Denham Springs.

Risk management. During the fiscal year ended June 30, 2005 management believes the City is fully insured for all major risks, such as General Liability, Workmen's Compensation, Employee and Public Official Fidelity Bonds, and Fire Extended Coverage and Flood Insurance. The City maintains no self-insurance program at June 30, 2005.

Additional information on the City of Denham Springs's risk management activity can be found in Note 15 of the notes to the financial statements.

Pension and other post employment benefits. Substantially all employees of the City of Denham Springs are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana (MERS), Municipal Police Employees Retirement System of Louisiana (MPERS), or Firefighters Retirement System of Louisiana. These systems are multiple employer (cost-sharing), public employee retirement systems (PERS), controlled and administered by separate State appointed board of trustees. The City of Denham Springs has no obligation in connection with employee benefits offered through these plans beyond its annual contractual payment to these State Pension Boards

Additional information on the City of Denham Springs's pension arrangements and post employment benefits can be found in Notes 11 and 12 in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Denham Springs for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. This was the ninth consecutive year that the City of Denham Springs has received this prestigious award. In order to be awarded a Certificate of Achievement by GFOA, a governmental unit must publish an easily readable and efficiently organized CAFR. This report satisfied both accounting principles generally accepted (GAAP) in the United States of America, and applicable legal requirements.

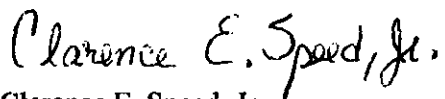
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Administrative Office Staff whose daily efforts result in the proper handling of the City's financial affairs and the successful completion of this report.

Appreciation is also expressed to the Mayor and City Council for their support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

City of Denham Springs

A handwritten signature in cursive script that reads "Clarence E. Speed, Jr.".

Clarence E. Speed, Jr.
City Treasurer

CITY OF DENHAM SPRINGS
PRINCIPAL ELECTED OFFICIALS

JUNE 30, 2005

Mayor:

James E. Durbin

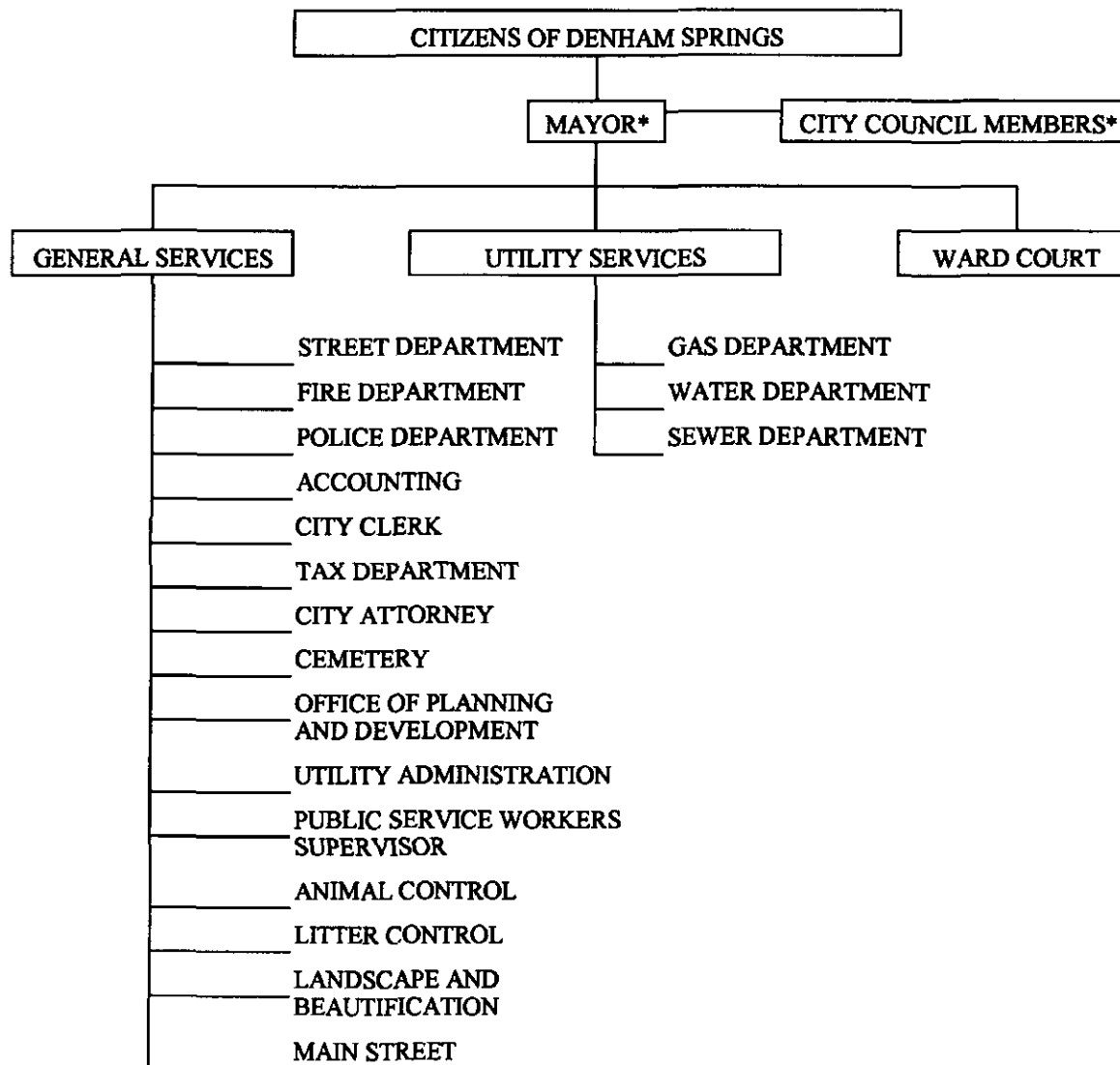
City Council Members:
Current Terms Expire December 31, 2006:

Lori Lamm-Williams
Arthur Perkins
George Meadors
Robert Poole
John Wascom

CITY OF DENHAM SPRINGS

ORGANIZATIONAL CHART

JUNE 30, 2005



* ELECTED OFFICIALS

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Denham Springs,
Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director



Randy J. Bonnezaze, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
Stephen M. Huggins, CPA*
Monica L. Zummo, CPA*
Ronald L. Gagnet, CPA*
Douglas J. Nelson, CPA*
Celeste D. Viator, CPA*
Russell J. Resweber, CPA*
Laura E. Monroe, CPA*
R. David Wascom, CPA

**A Professional Accounting Corporation*

1175 Del Este Avenue, Suite B
Denham Springs, LA 70726
Phone: (225) 665-8297
Fax: (225) 667-3813

*Members American Institute of
Certified Public Accountants*

2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809

www.htbcpa.com

October 2, 2005

INDEPENDENT AUDITOR'S REPORT

The Honorable James E. Durbin, Mayor
and Members of the City Council
Denham Springs, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Denham Springs, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds and internal service fund presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City'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.

The Honorable James E. Durbin
and Members of the City Council
City of Denham Springs, Louisiana

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as well as the aggregate nonmajor governmental funds and the internal service fund type of the City of Denham Springs, Louisiana, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and internal service fund of the City of Denham Springs, Louisiana, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the capital projects fund and the special revenue witness fee fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 2, 2005, on our consideration of the City of Denham Springs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 19 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Denham Springs, Louisiana's basic financial statements. The accompanying financial information listed in the Table of Contents as Supplementary Schedule (Schedule 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Denham Springs, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and the financial information listed in the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on them.

Respectfully submitted,

Harris J. Bourgeois, CPA

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

As management of the City of Denham Springs, Louisiana, we offer readers of the City of Denham Springs, Louisiana's financial statements this narrative overview and analysis of the financial activities of the City of Denham Springs, Louisiana, for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-ix of this report.

Financial Highlights

- The assets of the City of Denham Springs exceeded liabilities at the close of the most recent fiscal year by \$25,078,321 (*net assets*). Of this amount, \$2,927,705 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets compared to prior year total net assets of \$25,480,320 decreased by \$401,999.
- As of the close of the current fiscal year, the City of Denham Springs's governmental funds reported combined ending fund balances of \$3,660,384, an increase of \$402,980 in comparison with the prior year combined ending fund balances of \$3,257,404. Approximately eighty-five percent of this total amount, \$3,123,705, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,522,300, or 35 percent of total general fund expenditures.
- The City of Denham Springs's total debt decreased by \$263,878 (26 percent) during the current fiscal year. The key factors in this net decrease was the decrease in normal debt service requirements of \$214,462, the decrease of Environmental Assessment Liabilities of \$26,456, the decrease of \$33,400 in capital lease financing for a street sweeping machine, and the net addition of \$10,440 to the compensated absences balances.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Denham Springs's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Denham Springs's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* (Exhibit A-1) presents information on all of the City of Denham Springs's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Denham Springs is improving or deteriorating.

The *Statement of Activities* (Exhibit A-2) presents information showing how the government's net assets changed during the most recent fiscal 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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Denham Springs that are principally supported by taxes, licenses, permits, fines and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Denham Springs include general government, public safety, highways and streets, health, and culture and recreation. The business-type activities of the City of Denham Springs include a gas and water distribution operation, a sewer disposal operation, and a contracted solid waste disposal operation. All business type activities are included in a single Utility Enterprise Fund.

The government-wide financial statements include not only the City of Denham Springs itself (known as the *primary government*), but also a legally separate City Court of Denham Springs Ward II and a legally separate Marshall of City of Denham Springs - Ward II for which the City of Denham Springs is financially accountable. In addition to the state constitutionally defined agencies included above, the City has created a Louisiana nonprofit corporation, the Denham Springs Economic Development Corporation, to assist the City in the creation of economic development, to improve employment and to otherwise improve the economic condition of the City of Denham Springs and surrounding areas. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 21-23 of this report.

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 of Denham Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Denham Springs can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Denham Springs maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Denham Springs adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24-38 of this report.

Proprietary funds. The City of Denham Springs maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Denham Springs uses enterprise funds to account for its gas and water distribution operation, sewer disposal operation, and contracted solid waste disposal operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Denham Springs' various functions. The City of Denham Springs uses an internal service fund to account for fuel and maintenance cost for its fleet of vehicles and equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the enterprise fund consisting of the gas and water distribution operation, sewer disposal operation, and contracted solid waste disposal operation, which is considered to be a major fund of the City of Denham Springs. Conversely, the internal service fund is a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 39-43 of this report.

Notes to the financial statements. The notes 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 on pages 44-79 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the combining statement referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 81-84 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Denham Springs, assets exceeded liabilities by \$25,078,321 at the close of the most recent fiscal year.

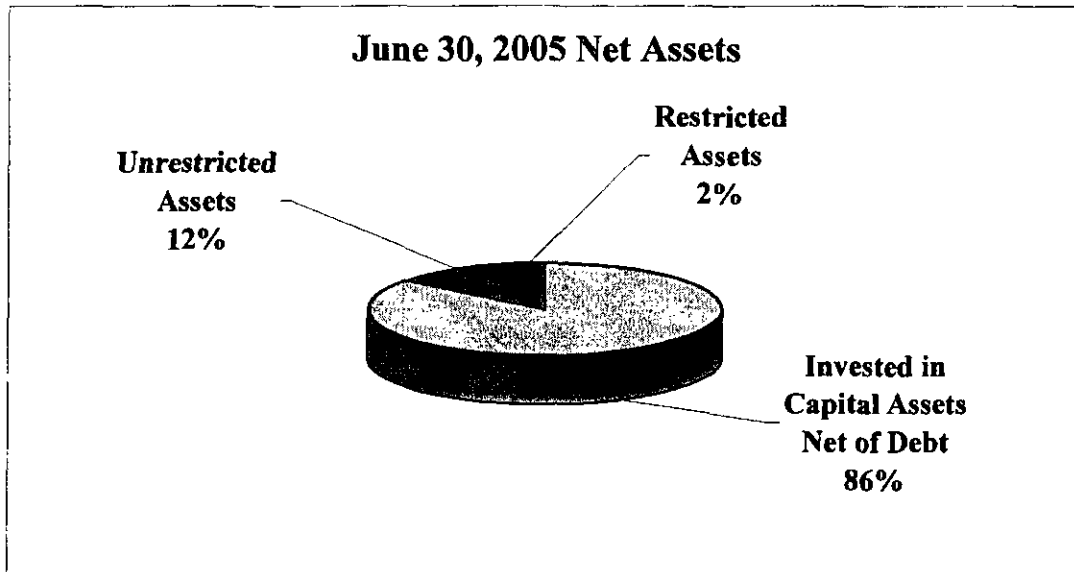
By far the largest portion of the City of Denham Springs's net assets (86 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Denham Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Denham Springs'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.

The following table reflects the Condensed Statement of Net Assets for June 30, 2005 with comparative figures from 2004.

City of Denham Springs
Condensed Statement of Net Assets
June 30, 2005 and 2004

	Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Assets:						
Current and Other						
Assets	\$ 4,148,556	\$ 3,763,535	\$ 512,180	\$ 966,586	\$ 4,660,736	\$ 4,730,121
Restricted Assets	-	-	630,000	535,000	630,000	535,000
Capital Assets	<u>6,604,429</u>	<u>6,927,157</u>	<u>15,283,819</u>	<u>15,589,729</u>	<u>21,888,248</u>	<u>22,516,886</u>
Total Assets	10,752,985	10,690,692	16,425,999	17,091,315	27,178,984	27,782,007
Liabilities:						
Current Liabilities	383,857	549,942	963,174	1,154,178	1,347,031	1,704,120
Long-Term Liabilities	<u>461,241</u>	<u>366,731</u>	<u>292,391</u>	<u>230,836</u>	<u>753,632</u>	<u>597,567</u>
Total Liabilities	845,098	916,673	1,255,565	1,385,014	2,100,663	2,301,687
Net Assets:						
Invested in Capital						
Assets Net of Debt	6,490,262	6,779,590	15,123,675	15,204,106	21,613,937	21,983,696
Restricted	536,679	508,826	-	-	536,679	508,826
Unrestricted	<u>2,880,946</u>	<u>2,485,603</u>	<u>46,759</u>	<u>502,195</u>	<u>2,927,705</u>	<u>2,987,798</u>
Total Net Assets	<u>\$ 9,907,887</u>	<u>\$ 9,774,019</u>	<u>\$ 15,170,434</u>	<u>\$ 15,706,301</u>	<u>\$ 25,078,321</u>	<u>\$ 25,480,320</u>

For more detailed information see Exhibit A-1, the Statement of Net Assets.



Approximately 86% (\$21,613,937) of the City's net assets at June 30, 2005, reflects the government's investment in capital assets (land, buildings, infrastructure, machinery and equipment) less any related debt to acquire those assets. The City uses these capital assets to provide services to the citizens of Denham Springs and, therefore, these assets are not available for future spending. An additional portion of the City of Denham Springs' net assets (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,927,705) may be used to meet government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Denham Springs is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Restricted net assets reported in connection with the City of Denham Springs' business-type activities remained the same as the prior year. The \$630,000 represents funds set aside to repay customers deposits (\$624,705) required prior to receiving services.

The City's net assets decreased by \$401,999 during the current fiscal year as compared to 2004's decrease of \$980,013. This represents decreased cash and investments paying for the LDEQ settlement cost plus sewer maintenance and renovation cost, expansion of water and gas lines, relocation cost of gas lines, increased labor and benefit cost, equipment cost, meter reading cost, and general building and grounds maintenance cost, and the increase in gas rates by 7 cent per CCF.

The condensed statement below provides a summary of the changes in net assets for the year ended June 30, 2005, with comparative figures from 2004.

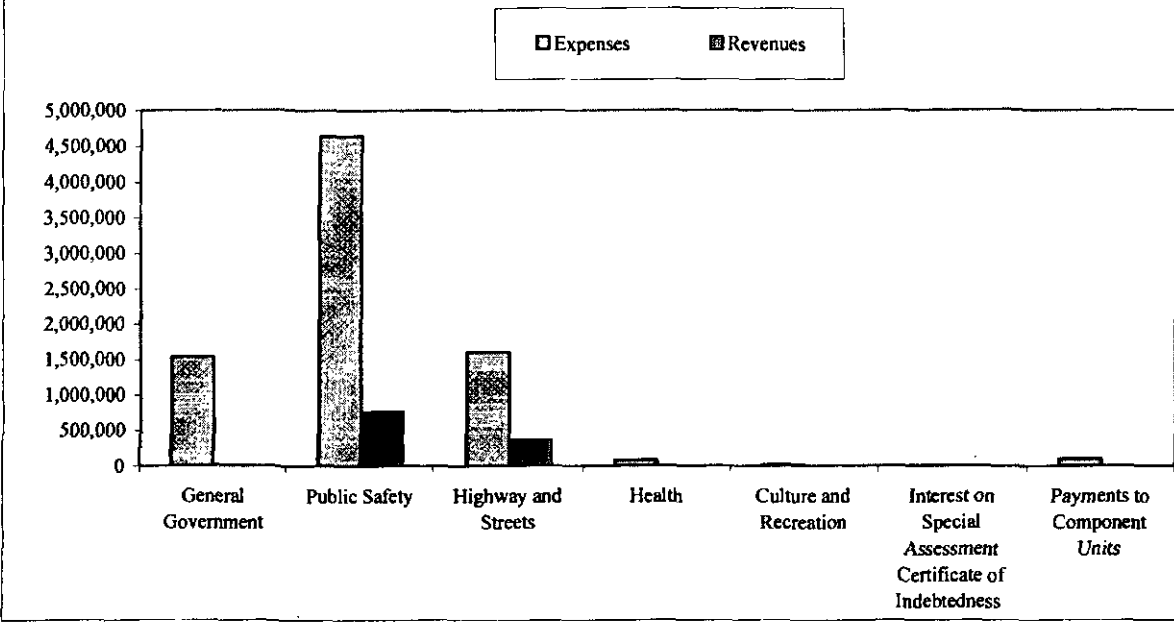
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 548,410	\$ 450,457	\$ 5,634,304	\$ 5,116,239	\$ 6,182,714	\$ 5,566,696
Operating Grants and Contributions	301,763	303,567	-	-	301,763	303,567
Capital Grants and Contributions	295,044	389	32,105	179,507	327,149	179,896
General Revenues:						
Sales Taxes	5,121,821	4,837,302	-	-	5,121,821	4,837,302
Other Taxes	1,620,577	1,550,988	-	-	1,620,577	1,550,988
Other Grants and Contributions not Restricted to Specific Programs	192,417	169,313	70,547	17,399	262,964	186,712
Other	47,348	39,585	28,901	15,741	76,249	55,326
Transfer from Component Unit Transfers	42,538	-	-	-	42,538	-
	(50,000)	-	50,000	-	-	-
Total Revenues	8,119,918	7,351,601	5,815,857	5,328,886	13,935,775	12,680,487
Expenses:						
General Government	1,531,644	1,627,466	-	-	1,531,644	1,627,466
Public Safety	4,647,126	4,697,707	-	-	4,647,126	4,697,707
Highways and Streets	1,605,126	1,087,286	-	-	1,605,126	1,087,286
Health	79,185	47,841	-	-	79,185	47,841
Culture and Recreation	16,129	28,786	-	-	16,129	28,786
Interest on Long-Term Debt	4,831	4,941	-	-	4,831	4,941
Payments to Component Units	102,009	97,198	-	-	102,009	97,198
Gas	-	-	3,115,223	2,900,226	3,115,223	2,900,226
Water	-	-	1,135,918	1,111,721	1,135,918	1,111,721
Sewer	-	-	1,457,006	1,453,480	1,457,006	1,453,480
Sanitation	-	-	643,577	603,848	643,577	603,848
Total Expenses	7,986,050	7,591,225	6,351,724	6,069,275	14,337,774	13,660,500
Increase (Decrease) in Net Assets	133,868	(239,624)	(535,867)	(740,389)	(401,999)	(980,013)
Net Assets - Beginning of Year	9,774,019	10,013,643	15,706,301	16,446,690	25,480,320	26,460,333
Net Assets - End of Year	\$ 9,907,887	\$ 9,774,019	\$ 15,170,434	\$ 15,706,301	\$ 25,078,321	\$ 25,480,320

Governmental activities. Governmental activities increased the City of Denham Springs's net assets by \$133,868. Key elements of this increase are documented below.

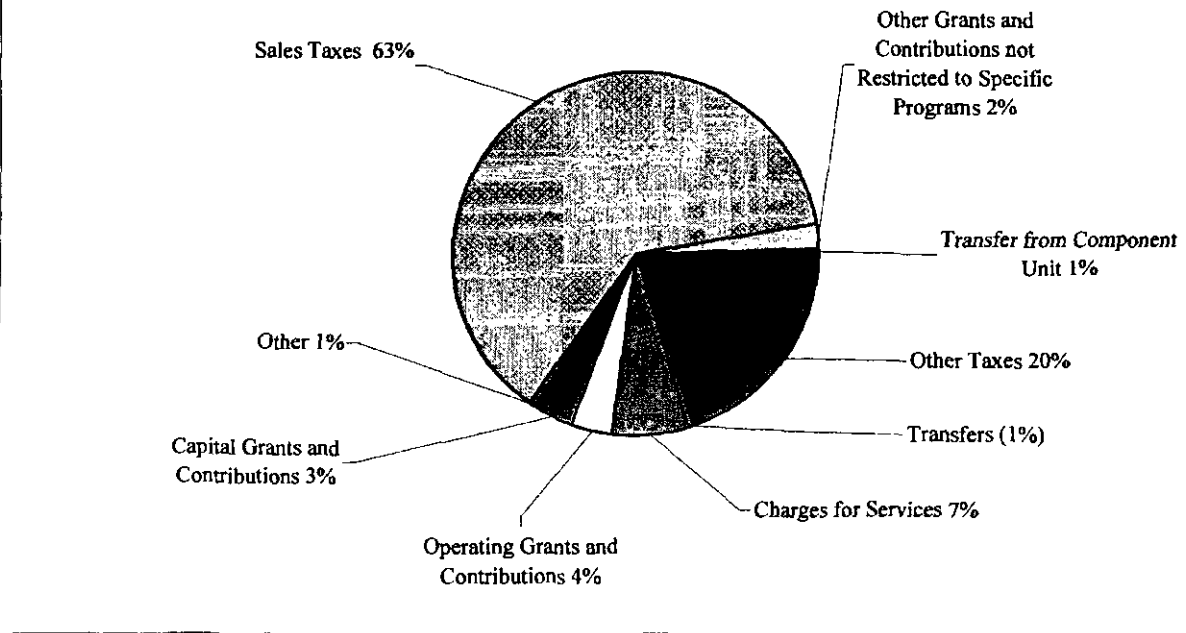
Total revenues from Governmental Activities increased by \$768,317 over the prior year.

- Sales taxes increased by \$284,519 (6 percent) during the year. Most of this increase is attributable to the continued population growth of surrounding areas outside Denham Springs and the various new restaurants and discount retail sales stores opening within Denham Springs.
- Charges for services increased by \$97,953 during the year. This increase is mainly attributable to increased fine revenue \$92,705, background check fees \$24,380, witness fees \$16,291, and animal adoption fees \$3,603 offset by decrease in dispatch revenue (\$6,000) and various miscellaneous (\$33,026).
- Operating grants and contributions decreased (\$1,804) during the year. This decrease was attributable to reduction in law enforcement grants (\$71,330) and on behalf payments for salaries (\$7,770) offset by a litter abatement grant \$7,502, Main Street landscaping grant \$9,000, street mapping grant \$60,202, and an increase in Fire Department grants \$592.
- Capital Grants and Contributions increased by \$294,655. This increase was because of the start-up of the previously delayed Range Road Corridor Project.
- Interest income increased during the current fiscal year by \$10,289. This increase was caused entirely by the increase in interest rates by the Federal Open Market Committee. This committee sets the Federal Reserve policy for the overnight bank lending rate, which raises the rate earned on invested funds.
- Occupational license and permits increased by \$57,611. This increase is attributable to continued commercial growth and strong economic community support.
- Franchise fees decreased by (\$3,583). This decrease is attributable to Entergy Corporation, as ordered by the Louisiana Public Service Commissioners, refunding fuel overcharges to their customers through their electric bills.
- Other small revenue increases and decreases amounted to a total of \$13,035 in net increased revenues.
- Other Grants and Contributions not Restricted by Specific Programs increased by \$23,104. This increase was caused by an insurance premium rebate of \$24,575 received in the current year.
- Transfers from Component Units increased \$42,538. This increase is a one-time transfer of witness fee funds collected by the Ward II Court. The transfer of responsibility for paying witness fees was transferred to the City of Denham Springs in accordance with Louisiana Act 582.
- Transfers Out to the Utility Fund of (\$50,000) was used to fund a new office building for the Utility Fund Sewer Department.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



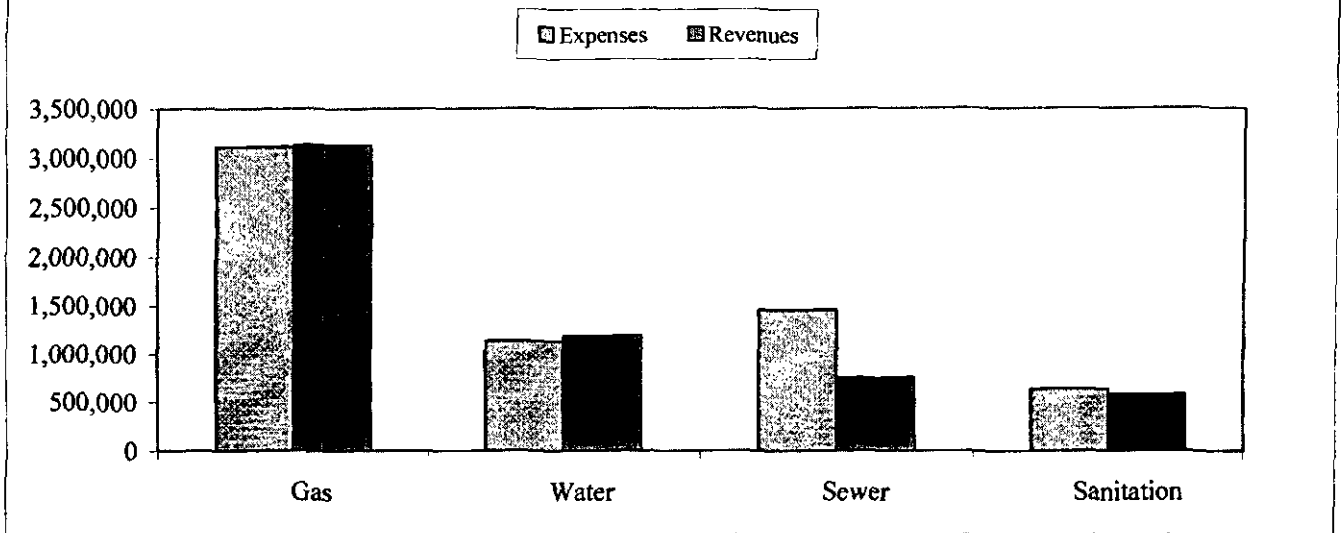
Total expenses from Governmental Activities increased by \$394,825.

- Total salaries charged to governmental activities decreased from \$3,787,629 to \$3,690,023 or a decrease of (\$97,606). This decrease resulted from the layoff of police communication employees. These employees are no longer needed as a result of the Livingston Parish Communication District's new 911 facility in Satsuma, Louisiana commencing operation.
- Related payroll taxes and employee benefits charged to government activities increased from \$1,205,927 to \$1,209,520 or \$3,593. Despite a reduction in workforce this increase is attributable to contribution rates increasing for firefighters, police and municipal employee retirement.
- General Government and Public Safety activities other than salaries and benefits decreased (\$52,390). This is mainly attributable to a decrease in legal services and its associated fee cost.
- Highways and Streets activities increased \$517,840. The startup of the Range Corridor Road Project increased.
- Health activities increased \$31,344. This increase is attributable to Council on Aging building expenses of \$23,584, Youth and Family Counseling building expenses of \$5,366, and increase in the cost of mosquito control and rat bait of \$2,394.
- Culture and Recreation activities decreased (\$12,657). This decrease is mainly from the layoff of the main street manager.
- Interest on Long-Term Debt decreased (\$110). This is the second year of debt payments for a street sweeping machine.
- Payments to Component Units increased \$4,811. This increase is attributable to additional court cost resulting from an increase in tickets issued and fine revenue received.
- For the most part, the remainder of the governmental activities expenses remained at prior year levels.

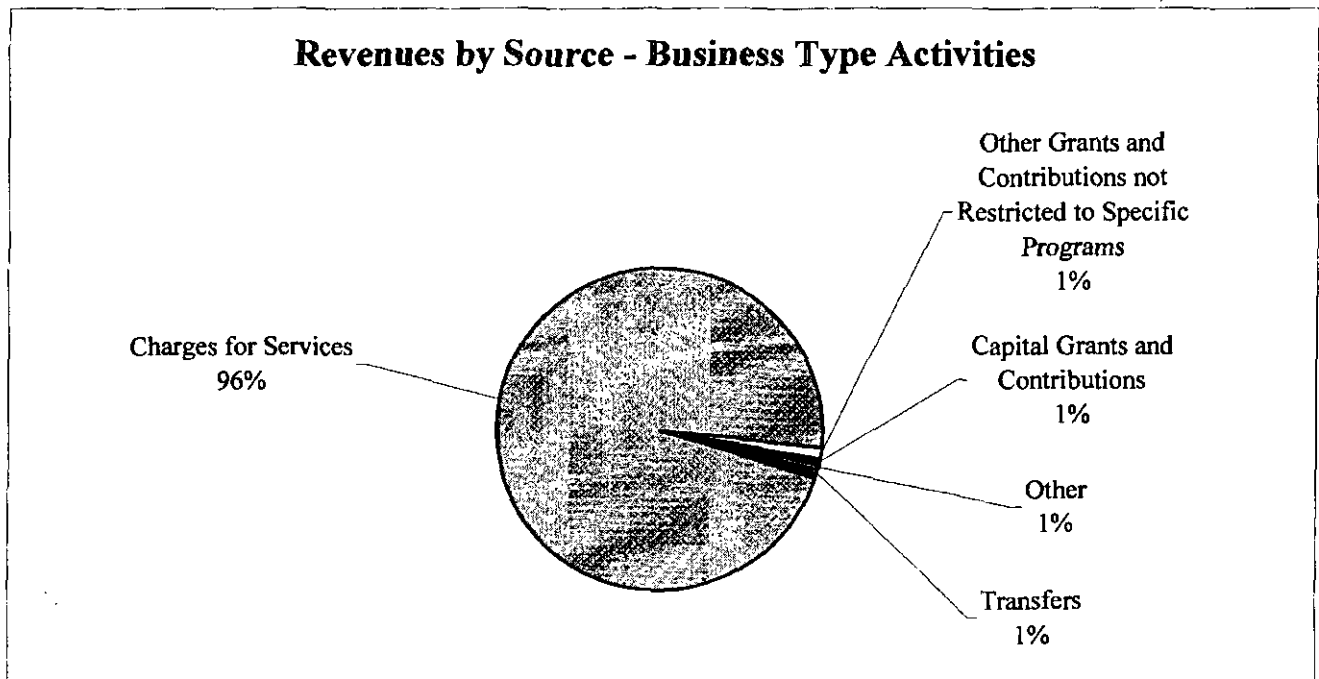
Business-type activities. Business-type activities decreased the City of Denham Springs's net assets by \$535,867 accounting for 100 percent of the total reduction in the government's net assets. Key elements of this decrease are as follows.

- Operating loss from business-type activities decreased by \$231,548 from the prior year. Attributable to this decrease is increased rates on fees charged commercial water customers plus a 7 cent per CCF gas rate increase and stabilization in operating cost except for the market increase in the price of natural gas and electricity cost and an increase use of contractual services.
- Non-operating revenue increased by \$66,308. This increase is because the City benefited from the award of an EPA Wastewater Grant in the amount of \$60,202 to map the city wastewater system.

Expenses and Program Revenues - Business Type Activities



Revenues by Source - Business Type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Denham Springs’s governmental funds reported combined ending fund balances of \$3,660,384, an increase of \$402,980 in comparison with the prior year. Approximately 85% of this total amount (\$3,123,705) constitutes unreserved fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to generate income to pay for the perpetual care of the municipal cemetery (\$536,679).

The general fund is the chief operating fund of the City of Denham Springs. At the end of the current fiscal year, total fund balance of the general fund of \$2,522,300 was unreserved. As a measure of the general fund’s liquidity, it may be useful to compare both unreserved fund balances and total fund balance to total fund expenditures. Total fund balance and unreserved fund balance represents 35 percent of total general fund expenditures.

During the current fiscal year, the fund balance of the City of Denham Springs’ general fund increased by \$546,164. Key factors in this increase are as follows:

- Continued economic growth within the City and increased growth of surrounding residential population has benefited the City of Denham Springs collection of the following tax, license and permit revenues.

Sales Tax	\$ 284,519
Ad Valorem Tax (Property)	15,561
Chain Store Tax	977
Cable Franchise Tax	5,821
Occupational License	34,698
Other Permits and Licenses	<u>22,913</u>
Total Additional Collections	\$ <u>364,489</u>

- Of note is the electrical franchise tax revenue which decreased by \$9,424. Previous fiscal years have noted significant growth in the collection of this tax. For this fiscal year that growth was offset by a Louisiana Public Service Commission order that Entergy Corporation refund overcharged fuel cost to its customers.
- With increased population growth within and surrounding the City is the additional enforcement of City traffic laws. Correspondingly, traffic fine revenue along with DWI enforcement has increased fine collections by \$92,705.
- Total majority of the expenditures and other financing uses decrease came about because of the decrease in legal fees paid, membership, training and education expenses, and printing, postage and office supplies.

- Of continued concern is the related retirement benefit enjoyed by City employees. The City's State administered retirement system employer rates have again increased for this fiscal period as follows:

	<u>Prior Employer Rate</u>	<u>Current Employer Rate</u>	<u>Rate Increase</u>
Municipal Employees Retirement System of Louisiana	7.75%	9.50%	1.75%
Municipal Police Employees Retirement System of Louisiana	15.25%	21.50%	6.25%
Firefighters Retirement System of Louisiana	21.00%	*24.00%	3.00%

*July 2004 through January 2005 the rate was 21.00%. February 2005 through June 2005 the rate was increased to 24.00%.

Overall employer retirement cost increased \$93,338 as of the fiscal year ended June 30, 2005. The increases breakdown as follows:

	<u>FY 03-04</u>	<u>FY 04-05</u>	<u>Net Increase (Decrease)</u>
Municipal Employees Retirement System of Louisiana	\$183,148	\$210,507	\$ 27,359
Municipal Police Employees Retirement System of Louisiana	184,858	230,389	45,531
Firefighters Retirement System Of Louisiana	<u>170,786</u>	<u>191,234</u>	<u>20,448</u>
Total	<u>\$538,792</u>	<u>\$632,130</u>	<u>\$ 93,338</u>

- Equipment purchases in the general fund decreased by (\$248,823). Significant to this decrease was the prior fiscal period lease/purchase of a street sweeper for \$174,485.
- Transfers In to the General Fund increased \$42,538. This increase was the transfer of control over the witness fee fund from Ward II Court to the City of Denham Springs in accordance with Louisiana Act 582.
- Transfers to the Capital Projects Fund decreased (\$320,000) while transfers to the Utility Enterprise Fund increased by \$50,000.

The debt service fund has a total unreserved fund balance of \$3,114, compared to a prior year unreserved fund balance of \$3,112.

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

Unrestricted net assets of the enterprise fund at the end of the year amounted to \$46,759.

The total decline in net assets for the enterprise fund is \$535,867. Other factors concerning the enterprise fund have already been addressed in the discussion of the City of Denham Springs' business-type activities.

General Fund Budgetary Highlights

Major differences between the original budget and the final amended budget of the General Fund are briefly summarized as follows:

Revenues:

Total budgeted revenues were increased by \$396,455 over the original budget.

- Ad Valorem Tax (Property) revenues were increased \$10,000 due to increased valuation of property.
- Sales tax revenues were increased by \$113,000 due to original conservative projections.
- Cable franchise tax revenue was increased by \$5,785 due to actual amounts collected.
- Fines and forfeits revenues were increased by \$104,825 due to the original conservative projections.
- Background check fees are a new source of revenue the City has been receiving for approximately three years. This is an increase of \$26,445 due to the original conservative projections.
- Royalty income revenue was increased \$15,748 due to increased price of a barrel of oil on the open market.
- One-time increase for an insurance dividend to be received from the City's workers comp insurance provider, LWCC, has been announced. Expected revenue receipt is to be for \$24,400.
- EPA GIS street mapping grant awarded increased revenues \$94,013. This is a 55% Federal/45% local matching grant.

Expenditures:

Total budgeted appropriations were increased by \$333,289. Of significance are amended budget appropriations increasing attorney fees by \$53,500, fuel cost by \$15,700, facility management fees by \$46,926, health reimbursement account by \$15,200, EPA GIS street mapping grant expenses by \$170,932, equipment purchases by \$39,855, and replacement cost of a new air conditioner chiller unit at the police building by \$47,847.

Capital Asset and Debt Administration

Capital assets. The City of Denham Springs' investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$21,888,248 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, roads, highways, and drainage. The total decrease in the City of Denham Springs' investment in capital assets for the current fiscal year was 2.8% (a 1.4 percent decrease for governmental activities and a 1.4 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Rodeo Drive overlay project was completed as of fiscal year ended June 30, 2005. Completed project cost totaled \$219,777.
- Street equipment storage building was completed as of fiscal year ended June 30, 2005 at a total cost of \$41,930.
- New air conditioner chiller unit for the police building was installed as of the fiscal year ended June 30, 2005 at a total cost of \$47,847.
- Completed construction of a new water line (Hwy. 16 to Hwy. 1033) to service a new elementary school as of fiscal year ended June 30, 2005 at a total cost of \$211,804.
- Commenced and completed construction of Millerville/Old Hammond Hwy. gas relocation project as of the fiscal year ended June 30, 2005 at a total cost of \$153,902.
- Commenced and completed expansion of gas lines south on Hwy. 16 to new subdivision developments as of fiscal year ended June 30, 2005 at a total cost of \$52,835.
- Purchased a prefab modular building to replace the old trailer being used by the Sewer Department as an office building as of fiscal year ended June 30, 2005 at a total cost of \$73,660.

Capital Assets
(Net of Accumulated Depreciation)
June 30, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 628,671	\$ 628,671	\$ 159,575	\$ 159,575	\$ 788,246	\$ 788,246
Buildings and Improvements	2,269,699	2,338,952	395,343	336,602	2,665,042	2,675,554
Gas System	-	-	1,213,873	1,067,693	1,213,873	1,067,693
Water System	-	-	2,965,312	2,923,146	2,965,312	2,923,146
Sewer System	-	-	10,164,679	10,447,860	10,164,679	10,447,860
Machinery and Equipment	1,264,969	1,487,583	351,678	453,988	1,616,647	1,941,571
Infrastructure	2,343,699	2,269,558	-	-	2,343,699	2,269,558
Construction in Progress	97,391	202,393	33,359	200,865	130,750	403,258
Total	\$ 6,604,429	\$ 6,927,157	\$ 15,283,819	\$ 15,589,729	\$ 21,888,248	\$ 22,516,886

Additional information on the City of Denham Springs' capital assets can be found in note 8 on pages 60-64 of this report.

Long-term debt. At the end of the current fiscal year, the City of Denham Springs had total debt outstanding of \$274,311. Of this amount, \$114,167 comprises debt backed by the full faith and credit of the City. The remainder of the debt (\$160,144) is secured solely by utility service charges. There are no general obligation bonds outstanding by the City of Denham Springs at June 30, 2005.

City of Denham Springs
 General Obligation and Revenue Bonds
 June 30, 2005 and 2004

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Obligation Under						
Capital Lease	\$ 114,167	\$ 147,567	\$ -	\$ -	\$ 114,167	\$ 147,567
Revenue Bond	-	-	160,144	385,623	160,144	385,623
Total	<u>\$ 114,167</u>	<u>\$ 147,567</u>	<u>\$ 160,144</u>	<u>\$ 385,623</u>	<u>\$ 274,311</u>	<u>\$ 533,190</u>

During the current fiscal year, the City of Denham Springs' total debt decreased by \$258,879 (48.6 percent). This resulted because regular debt payments in the amount of \$258,879 were timely paid and no new debt has been issued.

Additional information on the City's long-term debt can be found in note 9 on pages 66-69.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Denham Springs is currently 6.3 percent, which is a decrease from a rate of 7.4 percent a year ago. This compares favorably to the state's average unemployment rate of 6.4 percent but compares unfavorably to the national average rate of 5.2 percent.
- The occupancy rate of the City's central business district has remained from 97-100 percent for the past several years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Denham Springs' budget for the 2006 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$2,522,300. The City adopted a 2006 fiscal year budget anticipating revenues exceeding appropriated expenditures by \$612,579. The City is transferring \$329,718 to the Utility Fund to cover anticipated gas and water capital expenditure cost. Net of the above transfer, the City is conservatively funding public services within the confines of its revenue growth.

The City of Denham Springs' general fund receives approximately 66% of its revenues from the 1-½% general sales and use tax levied by the City of Denham Springs. Because of new commercial business construction and the actual revenues being generated, the City has conservatively budgeted a 4.0% increase over actual revenues received for the current fiscal year.

Appropriated expenditures including payments to component units but excluding the anticipated \$329,718 transfer to the Utility Fund decreased (\$254,748) or 3.5% over actual expenditures for the current fiscal year. Of significance is the reduction in police department communication employees along with other cost saving cuts within the police department that are anticipated to save (\$203,383) or 2.8% over actual expenditures for the current fiscal year. Next is the contracting of landscaping and beautification services, which is anticipated to save (\$32,942) or less than .5% over actual expenditures for the current fiscal year. Finally, the restructuring of the fee base charged by the City Attorney for legal cost is anticipated to save the City (\$18,880) or less than .3% over actual expenditures for the current fiscal year. All other department increases and decreases are anticipated to result in a net increase in appropriated expenditures of \$457.

This financial report is designed to provide a general overview of the City of Denham Springs' finances for all those with an interest in the government's finances. Questions concerning any of this information provided in this report or requests for additional information should be addressed to the City Treasurer, c/o City of Denham Springs, P.O. Box 1629, Denham Springs, Louisiana 70727-1629.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

CITY OF DENHAM SPRINGS

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	City Court of Denham Springs Ward II	Marshal of City Court of Denham Springs Ward II	Denham Springs Economic Development Corporation
ASSETS						
Cash and Cash Equivalents	\$ 270,679	\$ -	\$ 270,679	\$ 241,171	\$ 47,743	\$ -
Investments	1,510,095	754,310	2,264,405	195,000	61,685	-
Receivables, Net	204,810	599,278	804,088	2,356	1,620	-
Due from Other Governments	1,004,961	-	1,004,961	-	3,524	-
Due from Component Unit	3,164	-	3,164	-	-	-
Internal Balances	1,141,816	(1,141,816)	-	-	-	-
Inventories	13,031	143,721	156,752	-	-	-
Prepaid Items	-	156,687	156,687	-	-	-
Restricted Assets:						
Investments	-	630,000	630,000	-	-	-
Capital Assets:						
Land and Construction in Progress	726,062	192,934	918,996	-	-	-
Other Capital Assets, Net of Depreciation	5,878,367	15,090,885	20,969,252	43,551	62,471	-
Total Assets	<u>\$ 10,752,985</u>	<u>\$ 16,425,999</u>	<u>\$ 27,178,984</u>	<u>\$ 482,078</u>	<u>\$ 177,043</u>	<u>\$ -</u>
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 383,857	\$ 963,174	\$ 1,347,031	\$ 1,067	\$ 16,019	\$ 624,329
Due to Primary Government	-	-	-	-	3,164	-
Non-Current Liabilities:						
Due Within One Year	118,474	236,716	355,190	6,082	-	-
Due in More Than One Year	342,767	55,675	398,442	-	-	-
Total Liabilities	<u>845,098</u>	<u>1,255,565</u>	<u>2,100,663</u>	<u>7,149</u>	<u>19,183</u>	<u>624,329</u>
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	6,490,262	15,123,675	21,613,937	43,551	62,471	-
Restricted for:						
Cemetery Care	536,679	-	536,679	-	-	-
Unrestricted	2,880,946	46,759	2,927,705	431,378	95,389	(624,329)
Total Net Assets	<u>9,907,887</u>	<u>15,170,434</u>	<u>25,078,321</u>	<u>474,929</u>	<u>157,860</u>	<u>(624,329)</u>
Total Liabilities and Net Assets	<u>\$ 10,752,985</u>	<u>\$ 16,425,999</u>	<u>\$ 27,178,984</u>	<u>\$ 482,078</u>	<u>\$ 177,043</u>	<u>\$ -</u>

The accompanying notes constitute an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF DENHAM SPRINGS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

<u>Functions/Programs</u>	<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	\$ 1,531,644	\$ -	\$ 7,502	\$ -
Public Safety	4,647,126	535,046	234,059	-
Highways and Streets	1,605,126	13,364	60,202	295,044
Health	79,185	-	-	-
Culture and Recreation	16,129	-	-	-
Interest on Long-Term Debt	4,831	-	-	-
Payments to Component Units	102,009	-	-	-
Total Governmental Activities	7,986,050	548,410	301,763	295,044
Business-Type Activities:				
Gas	3,115,223	3,131,850	-	-
Water	1,135,918	1,192,263	-	-
Sewer	1,457,006	726,960	-	32,105
Sanitation	643,577	583,231	-	-
Total Business-Type Activities	6,351,724	5,634,304	-	32,105
Total Primary Government	\$ 14,337,774	\$ 6,182,714	\$ 301,763	\$ 327,149
Component Units:				
City Court of Denham Springs - Ward II	\$ 341,923	\$ 297,275	\$ 28,013	\$ -
Marshal of City Court of Denham Springs - Ward II	466,218	261,810	111,769	-
Denham Springs Economic Development Corporation	340,162	-	-	-
Total Component Units	\$ 1,148,303	\$ 559,085	\$ 139,782	\$ -
General Revenues:				
Taxes:				
Property				
Sales				
Occupational and Permits				
Franchise				
Other Grants and Contributions not Restricted to Specific Programs				
Interest Income				
Payments from the City of Denham Springs				
Transfer from Component Unit				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning of Year				
Net Assets - End of Year				

The accompanying notes constitute an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	City Court of Denham Springs Ward II	Marshal of City Court of Denham Springs - Ward II	Denham Springs Economic Development Corporation
\$ (1,524,142)	\$ -	\$ (1,524,142)	\$ -	\$ -	\$ -
(3,878,021)	-	(3,878,021)	-	-	-
(1,236,516)	-	(1,236,516)	-	-	-
(79,185)	-	(79,185)	-	-	-
(16,129)	-	(16,129)	-	-	-
(4,831)	-	(4,831)	-	-	-
(102,009)	-	(102,009)	-	-	-
(6,840,833)	-	(6,840,833)	-	-	-
-	16,627	16,627	-	-	-
-	56,345	56,345	-	-	-
-	(697,941)	(697,941)	-	-	-
-	(60,346)	(60,346)	-	-	-
-	(685,315)	(685,315)	-	-	-
(6,840,833)	(685,315)	(7,526,148)	-	-	-
-	-	-	(16,635)	-	-
-	-	-	-	(92,639)	-
-	-	-	-	-	(340,162)
-	-	-	(16,635)	(92,639)	(340,162)
185,288	-	185,288	-	-	-
5,121,821	-	5,121,821	-	-	-
775,811	-	775,811	-	-	-
659,478	-	659,478	-	-	-
192,417	70,547	262,964	3,165	740	-
47,348	28,901	76,249	12,680	1,502	-
-	-	-	46,860	55,149	-
42,538	-	42,538	(42,538)	-	-
(50,000)	50,000	-	-	-	-
6,974,701	149,448	7,124,149	20,167	57,391	-
133,868	(535,867)	(401,999)	3,532	(35,248)	(340,162)
9,774,019	15,706,301	25,480,320	471,397	193,108	(284,167)
<u>\$ 9,907,887</u>	<u>\$ 15,170,434</u>	<u>\$ 25,078,321</u>	<u>\$ 474,929</u>	<u>\$ 157,860</u>	<u>\$ (624,329)</u>

CITY OF DENHAM SPRINGS

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 67,314	\$ 189,359	\$ 256,673
Investments, at Cost	900,095	610,000	1,510,095
Receivables:			
Ad Valorem Taxes, Net	4,999	-	4,999
Other	191,682	8,043	199,725
Due from Other Funds	913,686	137,765	1,051,451
Due from Other Governments	811,829	193,132	1,004,961
Due from Component Units	3,164	-	3,164
Total Assets	\$ 2,892,769	\$ 1,138,299	\$ 4,031,068
LIABILITIES			
Accounts Payable	\$ 136,000	\$ 82	\$ 136,082
Payroll Taxes Payable	39,392	-	39,392
Retirement and Group Insurance Payable	115,165	-	115,165
Accrued Salaries and Wages	43,426	-	43,426
Due to Component Unit	-	133	133
Other Liabilities	36,486	-	36,486
Total Liabilities	370,469	215	370,684
FUND BALANCES			
Fund Balance:			
Reserved for Cemetery Expenditures	-	536,679	536,679
Unreserved, Reported In			
General Fund	2,522,300	-	2,522,300
Capital Projects Fund	-	553,876	553,876
Debt Service Fund	-	3,114	3,114
Witness Fee Fund	-	44,415	44,415
Total Fund Balances	2,522,300	1,138,084	3,660,384
Total Liabilities and Fund Balances	\$ 2,892,769	\$ 1,138,299	\$ 4,031,068

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2005

Fund Balances-Total Governmental Funds		\$ 3,660,384
<p>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</p>		
<p>Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds</p>		
Governmental Capital Assets	\$ 11,916,975	
Less Accumulated Depreciation	<u>(5,347,552)</u>	6,569,423
<p>Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported in the Governmental Funds:</p>		
Compensated Absences Payable		(344,980)
Capital Lease Payable		(114,167)
<p>The Motor Pool Internal Service Fund is Used by Management to Charge the Cost of Vehicle Repairs to Individual Funds. The Assets and Liabilities of the Internal Service Fund are Included in Governmental Activities in the Statement of Net Assets</p>		
Motor Pool Internal Service Fund Net Assets		<u>137,227</u>
Net Assets of Governmental Activities		<u>\$ 9,907,887</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 6,006,744	\$ -	\$ 6,006,744
Licenses and Permits	775,811	-	775,811
Fines and Forfeits	401,421	-	401,421
Interest	26,752	19,446	46,198
Fees	120,640	16,291	136,931
Intergovernmental	331,408	295,044	626,452
Miscellaneous	115,648	17,025	132,673
Total Revenues	7,778,424	347,806	8,126,230
Expenditures:			
Current:			
General Government	1,436,010	15,105	1,451,115
Public Safety	4,493,449	-	4,493,449
Highways and Streets	1,067,247	-	1,067,247
Health	79,185	-	79,185
Culture and Recreation	16,129	-	16,129
Payments to Component Units	102,009	-	102,009
Capital Outlay:			
Highways and Streets	-	468,423	468,423
Debt Service:			
Principal Retirement	33,400	-	33,400
Interest	4,831	-	4,831
Total Expenditures	7,232,260	483,528	7,715,788
Excess (Deficiency) of Revenues over Expenditures	546,164	(135,722)	410,442
Other Financing Sources (Uses):			
Transfers In	-	42,538	42,538
Transfer Out	-	(50,000)	(50,000)
Total Other Financing Sources (Uses)	-	(7,462)	(7,462)
Net Change in Fund Balances	546,164	(143,184)	402,980
Fund Balances at Beginning of Year	1,976,136	1,281,268	3,257,404
Fund Balances at End of Year	\$ 2,522,300	\$ 1,138,084	\$ 3,660,384

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 402,980

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 Those Assets is Allocated Over
Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	251,450	
Depreciation Expense	<u>(580,649)</u>	(329,199)

In the Statement of Activities, Only the Gain on the Sale of Capital Assets
is Reported. However, in the Governmental Funds, the Proceeds from
the Sale Increase Financial Resources. Thus, the Change in Net Assets Differs
from the Change in Fund Balance by the Cost of the Capital Assets Sold. (9,371)

The Issuance of Long-Term Debt (e.g., bonds, leases) Provides Current Financial
Resources to Governmental Funds, While the Repayment of the Principal of
Long-Term Debt Consumes the Current Financial Resources of the Governmental
Funds. Neither Transaction, However, has any Effect on Net Assets.

Repayment of Principal on Long-Term Debt	33,400
--	--------

Some Expenses Reported in the Statement of Activities do not Require the
use of Current Financial Resources and are not Reported as Expenditures
in Governmental Funds.

Increase in Compensated Absences Payable	(13,715)
--	----------

Internal Service Funds are Used by Management to Charge the Costs of
Certain Activities to Individual Funds. The Net Revenue (Expense) of
the Internal Service Funds is Reported with Governmental Activities. 49,773

Change in Net Assets of Governmental Activities	<u>\$ 133,868</u>
---	-------------------

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Ad Valorem Taxes	\$ 165,000	\$ 175,000	\$ 185,288	\$ 10,288
Alcoholic Beverage Tax	23,000	20,667	21,447	780
Chain Store Tax	17,700	18,710	18,710	-
Electrical Franchise Taxes	550,000	550,000	524,718	(25,282)
Sales Taxes	4,875,000	4,988,000	5,121,821	133,821
Cable TV Franchise Tax	126,900	132,685	132,685	-
Wrecker Franchise Tax	2,000	2,025	2,075	50
	<u>5,759,600</u>	<u>5,887,087</u>	<u>6,006,744</u>	<u>119,657</u>
Licenses and Permits:				
Occupational Licenses	590,000	645,000	671,406	26,406
Other Permits and Licenses	101,055	92,285	104,405	12,120
	<u>691,055</u>	<u>737,285</u>	<u>775,811</u>	<u>38,526</u>
Fines and Forfeits:				
Ward II Court	287,500	386,612	393,708	7,096
Forfeiture Funds	2,000	7,713	7,713	-
	<u>289,500</u>	<u>394,325</u>	<u>401,421</u>	<u>7,096</u>
Interest Income	30,075	20,000	26,752	6,752
Fees:				
Animal Adoption Fees	17,500	19,825	20,476	651
Background Check Fees	50,000	76,445	86,800	10,355
Road Maintenance Fees	13,360	13,360	13,364	4
	<u>80,860</u>	<u>109,630</u>	<u>120,640</u>	<u>11,010</u>

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Intergovernmental:				
<i>Fire Insurance Commissions</i>	25,000	27,238	29,645	2,407
Law Enforcement Grants	49,925	49,925	43,725	(6,200)
Fire Department Grants	500	500	1,324	824
Other Grant Revenue	25,000	-	-	-
Main Street Grant	11,500	9,000	9,000	-
Litter Abatement Grant	-	4,169	7,502	3,333
Mapping Grant	-	94,013	60,202	(33,811)
On Behalf Payments for Salaries	187,970	180,610	180,010	(600)
	<u>299,895</u>	<u>365,455</u>	<u>331,408</u>	<u>(34,047)</u>
Miscellaneous:				
Insurance Premium Rebate	-	24,400	24,575	175
Royalties	40,000	55,748	61,025	5,277
Wreck Reports	10,500	10,500	10,058	(442)
Rent Income	310	320	320	-
Miscellaneous	12,300	15,800	19,670	3,870
	<u>63,110</u>	<u>106,768</u>	<u>115,648</u>	<u>8,880</u>
Total Revenues	<u>7,214,095</u>	<u>7,620,550</u>	<u>7,778,424</u>	<u>157,874</u>

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Expenditures				
General Government:				
General Provisions:				
Salaries	308,724	321,350	313,475	7,875
Aldermen's Per Diem	48,000	48,000	48,200	(200)
Payroll Taxes, Retirement, and Group Insurance	96,518	96,518	91,218	5,300
Chamber of Commerce	10,000	10,000	10,000	-
Contingency	50,000	-	-	-
Electricity	20,000	20,000	17,363	2,637
Equipment Purchased	-	6,000	6,248	(248)
Insurance	49,728	51,972	37,087	14,885
Legal and Professional	81,500	124,730	108,802	15,928
Membership Fees and Educational Training	20,000	20,000	15,167	4,833
Miscellaneous	43,435	29,575	37,513	(7,938)
Printing, Postage and Office Supplies	41,000	46,000	38,241	7,759
Rental Equipment	6,500	6,500	6,580	(80)
Repairs and Maintenance	65,000	51,000	39,019	11,981
Small Tools and Supplies	7,000	7,000	3,674	3,326
Telephone	34,500	34,500	36,870	(2,370)
Travel	14,700	19,600	22,101	(2,501)
Total General Provisions	896,605	892,745	831,558	61,187
Cemetery:				
Salaries	65,436	67,020	65,909	1,111
Payroll Taxes, Retirement, and Group Insurance	19,909	19,422	18,818	604
Legal and Professional	500	500	377	123
Repairs and Maintenance	4,600	5,925	5,990	(65)
Insurance	5,500	6,000	5,411	589

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Cemetery (Continued):				
Miscellaneous	3,730	3,699	3,791	(92)
Small Tools	1,000	250	112	138
Total Cemetery	100,675	102,816	100,408	2,408
Tax:				
Salaries	48,989	50,707	49,698	1,009
Payroll Taxes, Retirement, and Group Insurance	12,479	10,658	10,955	(297)
Collection Fees	77,000	80,000	92,132	(12,132)
Equipment Expense	1,500	1,000	305	695
Insurance	3,250	1,600	1,562	38
Legal and Professional	1,000	1,000	623	377
Miscellaneous	2,400	1,000	462	538
Printing, Postage and and Office Supplies	4,800	5,305	3,199	2,106
Small Tools and Supplies	500	500	190	310
Tax Roll	5,000	5,009	5,009	-
Total Tax	156,918	156,779	164,135	(7,356)
Ward Court:				
Salaries	51,550	51,550	51,550	-
Payroll Taxes, Retirement, and Group Insurance	21,034	18,959	18,024	935
Legal and Professional	-	9,500	9,500	-
Building Maintenance	3,000	5,450	6,058	(608)
Additional Court Costs	13,940	20,000	493	19,507
Insurance	1,152	302	193	109
Total Ward Court	90,676	105,761	85,818	19,943

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Planning and Zoning:				
Salaries	98,535	100,460	98,060	2,400
Payroll Taxes, Retirement, and Group Insurance	30,332	29,009	29,458	(449)
Equipment Purchased	-	-	1,099	(1,099)
Insurance	12,073	7,325	4,439	2,886
Legal and Professional	10,000	8,800	16,838	(8,038)
Miscellaneous	8,100	5,350	3,824	1,526
Demolition Expense	10,000	12,700	12,695	5
Printing, Postage and Office Supplies	5,500	3,636	2,591	1,045
Small Tools and Supplies	750	2,750	770	1,980
Vehicle Expense	2,200	2,000	1,375	625
Total Planning and Zoning	<u>177,490</u>	<u>172,030</u>	<u>171,149</u>	<u>881</u>
Landscaping:				
Salaries	49,723	48,825	47,227	1,598
Payroll Taxes, Retirement, and Group Insurance	17,661	15,936	15,457	479
Vehicle Expense	1,750	2,800	3,267	(467)
Repairs and Maintenance	15,600	14,600	6,570	8,030
Small Tools and Supplies	1,100	2,800	2,308	492
Telephone	750	1,200	1,149	51
Rental Equipment	2,000	2,000	1,062	938

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Landscaping (Continued):				
Miscellaneous	1,800	1,175	791	384
Legal and Professional	7,000	7,150	144	7,006
Insurance	7,000	7,300	4,967	2,333
Total Landscaping	<u>104,384</u>	<u>103,786</u>	<u>82,942</u>	<u>20,844</u>
Total General Government	<u>1,526,748</u>	<u>1,533,917</u>	<u>1,436,010</u>	<u>97,907</u>
Public Safety:				
Animal Control:				
Salaries	60,529	65,725	64,534	1,191
Payroll Taxes, Retirement, and Group Insurance	19,227	18,776	18,223	553
Electricity	4,800	4,800	4,621	179
Animal Care Expense	14,500	19,825	18,657	1,168
Equipment Expense	2,000	2,000	1,182	818
Insurance	4,400	4,500	4,958	(458)
Miscellaneous	10,910	13,795	14,139	(344)
Small Tools and Supplies	2,500	1,500	2,195	(695)
Telephone	2,000	3,500	4,361	(861)
Total Animal Control	<u>120,866</u>	<u>134,421</u>	<u>132,870</u>	<u>1,551</u>
Fire:				
Salaries	1,010,518	969,800	959,386	10,414
Payroll Taxes, Retirement, and Group Insurance	406,211	364,462	363,087	1,375
Electricity	8,500	10,700	11,226	(526)
Legal and Professional	21,000	43,545	42,548	997
Equipment Purchased	-	1,438	1,438	-
Equipment Expense	20,000	48,400	52,470	(4,070)

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public Safety (Continued):				
Fire (Continued):				
Insurance	123,000	126,430	99,539	26,891
Membership Fees and Educational Training	7,500	7,500	5,737	1,763
Miscellaneous	3,820	3,920	11,582	(7,662)
Printing, Postage and Office Supplies	3,600	3,800	1,942	1,858
Repairs and Maintenance	11,500	13,000	13,640	(640)
Small Tools and Supplies	30,200	22,500	15,054	7,446
Telephone	8,200	8,200	7,872	328
Uniforms	7,500	7,500	7,591	(91)
Total Fire	1,661,549	1,631,195	1,593,112	38,083
Police:				
Salaries	1,589,921	1,620,762	1,602,380	18,382
Payroll Taxes, Retirement, and Group Insurance	555,599	526,448	515,114	11,334
Electricity	25,000	25,000	29,459	(4,459)
Equipment Purchased	-	77,263	81,160	(3,897)
Equipment Expense	115,000	149,000	172,130	(23,130)
Equipment Rental	4,500	6,138	6,172	(34)
Insurance	141,512	126,000	128,034	(2,034)
Jail Expense	1,000	1,350	1,341	9
Membership Fees and Educational Training	15,000	12,000	9,978	2,022
Miscellaneous	23,200	28,555	23,164	5,391
Printing, Postage and Office Supplies	16,300	14,700	11,609	3,091
Professional Fees	7,500	29,215	27,928	1,287

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Public Safety (Continued):				
<i>Police (Continued):</i>				
Repairs and Maintenance	21,500	34,100	34,809	(709)
Small Tools and Supplies	26,445	24,425	20,251	4,174
Telephone	25,328	35,000	38,235	(3,235)
Uniforms	24,000	22,500	19,023	3,477
Total Police	2,591,805	2,732,456	2,720,787	11,669
Litter Control:				
Salaries	27,132	29,325	28,538	787
Payroll Taxes, Retirement, and Group Insurance	8,274	9,270	8,836	434
Insurance	2,000	1,250	1,116	134
Legal and Professional	500	675	673	2
Miscellaneous	300	250	282	(32)
Equipment Expense	3,500	4,300	6,258	(1,958)
Telephone	750	900	977	(77)
Total Litter Control	42,456	45,970	46,680	(710)
Total Public Safety	4,416,676	4,544,042	4,493,449	50,593
Highway and Streets:				
<i>Streets:</i>				
Salaries	389,833	415,510	409,266	6,244
Payroll Taxes, Retirement, and Group Insurance	123,650	118,163	120,330	(2,167)
Electricity	3,000	3,500	3,732	(232)
Equipment Purchased	-	3,000	4,800	(1,800)

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Highway and Streets (Continued):				
Streets (Continued):				
Equipment Expense	100,300	104,300	121,572	(17,272)
Equipment Rental	10,000	10,000	7,726	2,274
Insurance	53,000	65,000	57,002	7,998
Uniforms	10,000	6,500	6,041	459
Legal and Professional	1,000	172,932	110,724	62,208
Streets Maintenance and Materials	150,100	118,500	102,356	16,144
Membership Fees and Educational Training	500	554	554	-
Miscellaneous	16,250	16,100	14,890	1,210
Small Tools and Supplies	10,000	7,000	5,316	1,684
Telephone	4,600	5,500	5,724	(224)
Total Streets	872,233	1,046,559	970,033	76,526
Lighting:				
Electricity	107,000	103,606	97,214	6,392
Total Lighting	107,000	103,606	97,214	6,392
Total Highways and Streets	979,233	1,150,165	1,067,247	82,918
Health:				
Council on Aging	18,450	43,145	44,509	(1,364)
Denham Spring Housing Authority	5,101	2,402	2,402	-
Pest Control	26,025	26,813	13,519	13,294
Youth and Family Counseling	12,325	17,013	18,755	(1,742)
Total Health	61,901	89,373	79,185	10,188

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Culture and Recreation:				
Committee Expenses	2,500	2,500	405	2,095
Equipment Rental	-	-	-	-
Insurance	-	-	151	(151)
Membership Fees and Educational Training	2,000	1,500	560	940
Legal and Professional	10,000	10,000	10,000	-
Printing, Postage and Office Supplies	1,500	2,500	2,076	424
Repairs and Maintenance	-	-	514	(514)
Telephone	-	1,500	955	545
Travel	3,000	1,000	1,468	(468)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Culture and Recreation	19,000	19,000	16,129	2,871
	<hr/>	<hr/>	<hr/>	<hr/>
Debt Service:				
Principal Retirement	40,000	40,000	33,400	6,600
Interest	-	-	4,831	(4,831)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Debt Service	40,000	40,000	38,231	1,769
	<hr/>	<hr/>	<hr/>	<hr/>
Payments to Component Units	87,000	87,350	102,009	(14,659)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	7,130,558	7,463,847	7,232,260	231,587
	<hr/>	<hr/>	<hr/>	<hr/>

(CONTINUED)

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF DENHAM SPRINGS
GENERAL FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over Expenditures	83,537	156,703	546,164	389,461
Other Financing Sources (Uses):				
Sale of Assets	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	93,537	156,703	546,164	389,461
Fund Balance at Beginning of Year	<u>1,976,136</u>	<u>1,976,136</u>	<u>1,976,136</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,069,673</u>	<u>\$ 2,132,839</u>	<u>\$ 2,522,300</u>	<u>\$ 389,461</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2005

	<u>Business-Type Activities - Utility Enterprise Fund</u>	<u>Governmental Activities - Motor Pool Internal Service Fund</u>
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 14,006
Due From Other Funds	-	90,365
	-	104,371
Investments:		
Certificates of Deposit - (Maturities Greater than 90 Days)	754,310	-
Restricted Investments:		
Certificate of Deposit - Customer Deposit Account (Maturity Greater Than 90 Days)	630,000	-
Receivables:		
Accounts (Net of Allowance for Uncollectible Accounts of \$128,000)	267,333	-
Grants	25,603	-
Other	22,378	86
Unbilled Utility Sales	283,964	-
	599,278	86
Inventory, at Cost	143,721	13,031
Prepaid Expenses	156,687	-
Total Current Assets	2,283,996	117,488
Noncurrent Assets:		
Capital Assets, at Cost (Net of Accumulated Depreciation)	15,283,819	35,006
Total Assets	\$ 17,567,815	\$ 152,494

The accompanying notes constitute an integral part of this statement.

	<u>Business-Type Activities - Utility Enterprise Fund</u>	<u>Governmental Activities - Motor Pool Internal Service Fund</u>
Current Liabilities (Payable from Current Assets):		
Accounts Payable	\$ 264,341	\$ 10,246
Accrued Salaries and Wages	20,862	-
Accumulated Unpaid Vacation	13,558	524
Customers' Deposits	624,705	-
Environmental Assessment Liabilities - Current Portion	70,838	-
Other Current Liabilities	50,383	2,927
Bonds Payable - 1998 Series - Current Portion	152,320	-
Due To Other Funds	1,141,816	-
Accrued Bond Interest	2,883	-
	<u>2,341,706</u>	<u>13,697</u>
Total Current Liabilities (Payable from Current Assets)		
	2,341,706	13,697
Noncurrent Liabilities:		
Environmental Assessment Liabilities	15,000	-
Accumulated Unpaid Vacation	40,675	1,570
Total Noncurrent Liabilities	<u>55,675</u>	<u>1,570</u>
	2,397,381	15,267
Total Liabilities		
	2,397,381	15,267
Net Assets:		
Invested in Capital Assets, Net of Related Debt	15,123,675	35,006
Unrestricted	46,759	102,221
	<u>15,170,434</u>	<u>137,227</u>
Total Net Assets		
	15,170,434	137,227
Total Liabilities and Net Assets		
	<u>\$ 17,567,815</u>	<u>\$ 152,494</u>

CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Utility Enterprise Fund	Governmental Activities - Motor Pool Internal Service Fund
Operating Revenues:		
Charges for Services	\$ 5,634,304	\$ 478,262
Total Operating Revenues	5,634,304	478,262
Operating Expenses:		
Personal Services and Benefits	1,592,612	60,286
Contractual Services	968,301	2,388
Cost of Materials	1,840,559	342,843
Utilities	376,425	1,301
Repair and Maintenance	566,009	4,714
Supplies	199,130	5,423
Insurance	116,601	5,775
Depreciation	640,364	6,909
Bad Debts	17,000	-
Total Operating Expenses	6,317,001	429,639
Operating Income (Loss)	(682,697)	48,623
Nonoperating Revenues:		
Interest	28,901	1,150
Miscellaneous	70,547	-
Total Nonoperating Revenues	99,448	1,150
Nonoperating Expenses:		
Interest	23,706	-
Amortization of Bond Costs	11,017	-
Total Nonoperating Expenses	34,723	-
Income (Loss) Before Contributions	(617,972)	49,773
Capital Contributions	32,105	-
Transfer from Capital Projects	50,000	-
Change in Net Assets	(535,867)	49,773
Total Net Assets at Beginning of Year	<u>15,706,301</u>	<u>87,454</u>
Total Net Assets at End of Year	<u>\$ 15,170,434</u>	<u>\$ 137,227</u>

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Utility Enterprise Fund	Governmental Activities - Motor Pool Internal Service Fund
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 5,633,230	\$ 478,365
Cash Payments to Suppliers for Goods and Services	(4,058,245)	(379,208)
Cash Payments to Employees for Services and Benefits	(1,591,703)	(59,905)
Other Receipts (Payments)	350,508	(90,365)
Net Cash Provided by (Used in) Operating Activities	333,790	(51,113)
Cash Flows From Noncapital and Related Financing Activities:		
Transfer From Capital Projects	50,000	-
Net Cash Provided by Noncapital and Related Financing Activities	50,000	-
Cash Flows From Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(334,454)	(22,751)
Net Receipts from Customer Deposits	58,843	-
Principal Paid on Revenue Bonds	(225,479)	-
Capital Contributions	32,105	-
Interest Paid on Revenue Bonds	(23,706)	-
Net Cash Used in Capital and Related Financing Activities	(492,691)	(22,751)
Cash Flows From Investing Activities:		
Proceeds from Sales and Maturities of Investments	80,000	-
Interest Income	28,901	1,150
Net Cash Provided by Investing Activities	108,901	1,150
Net Increase (Decrease) in Cash and Cash Equivalents	-	(72,714)
Cash and Cash Equivalents - Beginning of Year	-	86,720
Cash and Cash Equivalents - End of Year	\$ -	\$ 14,006
Schedule of Noncash Investing, Capital and Financing Activities:		
Amortization of Deferred Bond Expense	\$ 11,017	\$ -

(CONTINUED)

**CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Business-Type Activities - Utility Enterprise Fund</u>	<u>Governmental Activities - Motor Pool Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities:		
Operating Income (Loss)	\$ (682,697)	\$ 48,623
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	640,364	6,909
Provision for Bad Debts	17,000	-
Miscellaneous Revenues	70,547	-
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(72,238)	-
(Increase) Decrease in Grant Receivable	(25,603)	-
(Increase) Decrease in Other Receivables	71,996	103
(Increase) Decrease in Unbilled Utility Sales	(7,752)	-
(Increase) Decrease in Due from Other Funds	-	(90,365)
(Increase) Decrease in Inventory	(17,222)	6,420
(Increase) Decrease in Prepaid Expenses	(153,259)	-
Increase (Decrease) in Accounts Payable	31,919	(24,494)
Increase (Decrease) in Retainage Payable	(9,620)	-
Increase (Decrease) in Accrued Salaries and Wages	4,565	-
Increase (Decrease) in Other Current Liabilities	33,476	1,310
Increase (Decrease) in Due To Other Funds	466,484	-
Increase (Decrease) in Accrued Bond Interest	(4,058)	-
Increase (Decrease) in Environmental Assessment Liabilities	(26,456)	-
Increase (Decrease) in Accumulated Unpaid Vacation	(3,656)	381
Net Cash Provided by (Used in) Operating Activities	<u>\$ 333,790</u>	<u>\$ (51,113)</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(1) **Summary of Significant Accounting Policies -**

A. Financial Reporting Entity

The City of Denham Springs "the City" was incorporated May 8, 1903, under the provisions of R.S. 33:321-48. The City operates under a Mayor - City Council form of government and provides the following services as authorized by its charter: public safety (police, animal control, and fire), highways and streets, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Denham Springs, Louisiana, and its component units, entities for which the City of Denham Springs is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Each discretely presented component unit has a June 30, 2005 year end.

The financial reporting entity consists of (1) the primary government (all funds under the auspices of the Mayor and the City Council), (2) organizations for which the primary government is financially accountable, and (3) 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.

Governmental Accounting Standards Board (GASB) Statement No. 14, the Financial Reporting Entity, established criteria for determining which component units should be considered part of the City of Denham Springs for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the City to impose its will on that organization and/or

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

- b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Denham Springs (the primary government) and its component units. The component units included in the accompanying financial statements are discretely presented.

BLENDED COMPONENT UNITS

There are no component units that have been determined by management to be reported as part of the primary government (blended) in the government-wide financial statements of the City of Denham Springs.

DISCRETELY PRESENTED COMPONENT UNITS

Component units that are legally separate from the City but are financially accountable to the City, or whose relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete are discretely presented. The component units column of the government-wide financial statements include the financial data of these discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City.

Funding for the following state constitutionally defined agencies is included in the City's general fund. These officials however, have certain statutorily defined sources of funds for their own operating and/or capital budget discretion. These funds have been discretely presented in the City's government-wide financial statements:

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

City Court of Denham Springs - Ward II - The Judge of the Court is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the City Court in that the City is required to provide the City Court office facilities and the City pays a portion of the Judge's compensation, and reimburses the Court for certain other salaries and benefits. The City's government-wide financial statements discretely presents the City Court of Denham Springs - Ward II's financial statements for the year ended June 30, 2005.

Marshal of City Court of Denham Springs - Ward II - The Marshal is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the Marshal in that the City is required to provide the Marshal's office facilities, and reimburses the Marshal's office for certain other salaries and benefits. The City's government-wide financial statements discretely presents the Marshal's financial statements for the year ended June 30, 2005.

In addition to the state constitutionally defined agencies included above, the City created a Louisiana nonprofit corporation, the Denham Springs Economic Development Corporation, to assist the City in the creation of economic development, to improve employment and to otherwise improve the economic condition of the City of Denham Springs and surrounding areas.

Denham Springs Economic Development Corporation - The nonprofit corporation is managed by up to a nine member board appointed by the City Council. The corporation expects to issue bonds in the future which will be repaid from sales tax revenues generated by developments. Collateral for the bonds is expected to be limited to the prospective development and the City of Denham Springs would have no liability for these bonds. The City would be liable for operating deficits, if any. The City's government-wide financial statements discretely presents the corporation's financial statements for the year ended June 30, 2005.

RELATED ORGANIZATIONS

City officials are also responsible for appointing members of the board of another organization. The City's accountability does not extend beyond making the appointments.

Denham Springs Housing Authority - The Denham Springs Housing Authority is a legally separate government entity formed to administer housing programs funded by the U.S. Department of Housing and Urban Development (HUD). The City governing authority appoints a majority of the Authority's members; however, there is no financial relationship between the Authority and the primary government.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

The Denham Springs Parks and Recreation District #3 of Livingston Parish is a related organization of the City, however the City officials have no responsibility for the District. The District does however include the geographic area of the City.

Denham Springs Parks and Recreation District (PARD) - PARD is a legally separate parish agency that provides parks and recreational services to the residents of Livingston Parish District #3. District #3 includes the geographic area within the City of Denham Springs.

PARD sets its own ad valorem tax, can incur debt and owns property. The City has no budget approval, management designation or commission member removal powers. PARD finances capital and operating budgets directly from the parish constituents within District #3, and has no financial benefit/burden relationship with the City of Denham Springs.

The following agency is a non-profit corporation established pursuant to State Statutes to finance debt for various public purposes within Livingston Parish. The City Council appoints the board members of the agency. The agency is fiscally independent from the City, issues its own debt, approves its budgets, and sets its rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City is not obligated in any manner for the debt issues of this agency.

Denham Springs/Livingston Housing and Mortgage Finance Authority

Complete financial statements for each of the City of Denham Springs component units and related organizations can be obtained at the Office of the Legislative Auditor of the State of Louisiana, 1600 North Third Street, P.O. Box 94397, Baton Rouge, LA 70804-9397, or at each of the agencies administrative offices.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

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* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

The City reports the following major governmental fund:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

The *utility enterprise fund* accounts for the provision of gas, water, sewer and sanitation services to the residents of the City of Denham Springs and some residents of the parishes of Livingston and East Baton Rouge. 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 collections.

Additionally, the City reports the following fund types:

The *capital projects fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

The *special revenue fund* accounts for specific revenues that are legally restricted to expenditure for a particular purpose.

The *internal service fund* accounts for services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

The *debt service fund* accounts for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. There are no debt service major funds.

The *permanent fund* accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's program.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utility fund and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments -

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, with original maturities of three months or less from the date of acquisition.

State statutes authorizes the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments (certificates of deposit with original maturities greater than 90 days) are stated at cost.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

Deposit and Investment policies of the component units are similar to those of the primary government.

2. Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. At June 30, 2005, there were no advances between funds.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable based on agings and estimated charge-off percentages comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to three percent of the current year property tax levy plus one hundred percent of any unpaid prior year tax at June 30, 2005.

Property taxes are levied in September or October each year on property values assessed as of the same date. Billed taxes become delinquent on January 1 of the following year, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories and Prepaid Items -

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

4. Restricted Assets -

Certain proceeds and resources of the City's Utility Enterprise Fund are set aside to reimburse customers their utility deposits upon discontinuance of service.

Restricted assets at June 30, 2005 are comprised of certificates of deposits with maturities greater than 90 days when purchased.

5. Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 - 20
Building Improvements	10 - 20
Public Domain Infrastructure	50
System Infrastructure	20 - 50
Equipment	3 - 10

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

6. **Compensated Absences -**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. **Long-Term Obligations -**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. **Fund Equity -**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

9. Post-Employment Health Care Benefits -

Retiree Benefits -

In addition to the pension benefits described in Note 11, the City provides postretirement healthcare benefits to all employees who retire from the City, as per the requirements of a local ordinance. The group insurance is paid by the City and reimbursed by the retired employee. There is no associated cost to the City under this program, and there are only ten (10) participants in the program as of June 30, 2005.

COBRA Benefits -

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums are paid by the City and reimbursed by the insured. This program is offered for a duration of eighteen (18) months after the termination date. There is no associated cost to the City under this program, and at June 30, 2005, there are only two (2) participants in the program.

10. Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

(2) Stewardship, Compliance and Accountability -

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Debt Service Fund and the Cemetery Care Permanent Fund which are not budgeted. All annual appropriations lapse at fiscal year end.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

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

1. The City Treasurer prepares a proposed budget and submits same to the Mayor and Council no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, 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 the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.

Activities of the General Fund, the Capital Project Fund, and the Special Revenue Fund are included in the annual appropriated budget. The City is not required to prepare and does not prepare an annual appropriated budget for its Debt Service Fund, Enterprise Fund, Internal Service Fund or Cemetery Care Permanent Fund.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Any increase in departmental budgets must be approved by the City Council.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

Budgeted amounts are as originally adopted, or as amended from time to time by the City Council. For the fiscal year ended June 30, 2005, the City Council approved the increase in the original expenditures and Transfers Out of the General Fund from \$7,130,558 to \$7,463,847.

The total General Fund increase amounted to \$333,289. The General Fund budget as amended was increased by \$53,500 for additional legal cost, increased \$46,926 for facility management fees charged for professional consultation and tracking of City building maintenance, increased \$15,700 for increased fuel cost, increased \$47,846 for a new air conditioning chiller unit installed at the police department building, and increased \$170,932 for EPA GIS street mapping cost.

Budgetary data for the discretely presented component units are not presented in these financial statements.

(3) Deposits and Investments -

The City has established a consolidated bank account with a local bank into which monies are deposited and from which all disbursements are now being made. The purpose of the consolidation account is to reduce administrative charges and provide a single cash balance available for the maximization of investment earnings. Each fund shares in the investment earnings of the consolidated account according to its average cash balance. Cash is transferred from those funds with available cash resources to cover any negative cash balances, if any, in other funds at year-end.

The City also invests all excess funds in certificates of deposits, which have maturity dates greater than 90 days when purchased, and are therefore classified as investments for financial reporting.

The discretely presented component units maintain deposit accounts and investments in certificates of deposits similar to the Primary Government.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

A. Primary Government

As reflected in Exhibit A-1, the City of Denham Springs, Louisiana has cash totaling \$270,679 and investments totaling \$2,894,405. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. These pledged securities are held by and are in the name of the fiscal agent bank but pledged to the City. The following is a summary of cash and investments at June 30, 2005.

	Government Activities	Business-Type Activities	Total
Deposits in Bank Accounts per Balance Sheet:			
Cash and Cash Equivalents	\$ 270,679	\$ -	\$ 270,679
Certificates of Deposit	<u>1,510,095</u>	<u>1,384,310</u>	<u>2,894,405</u>
	<u>\$1,780,774</u>	<u>\$1,384,310</u>	<u>\$3,165,084</u>

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2005, \$3,281,709 of the City's bank balance of \$3,381,709, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement of the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

B. Deposits - Discretely Presented Component Units

The discretely presented component units are required to invest funds within the same state statutes as the primary government. Component unit deposits (including demand deposit accounts and all certificates of deposits) at June 30, 2005, are summarized below.

	<u>City Court of Denham Springs Ward II</u>	<u>Marshall of City Court of Denham Springs Ward II</u>
Deposits in Bank Accounts		
Per Balance Sheet:		
Cash and Cash Equivalents	\$ 241,171	\$ 47,743
Certificates of Deposits	<u>195,000</u>	<u>61,685</u>
	436,171	109,428
Fiduciary Amounts - Not Included in Statement of Net Assets	<u>204,564</u>	<u>-</u>
	<u>\$ 640,735</u>	<u>\$109,428</u>

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the component units' deposits may not be returned to them. As of June 30, 2005, \$289,612 of the component units' bank balances of \$810,897 were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement of the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the component unit that the fiscal agent has failed to pay deposited funds upon demand.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

(4) 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 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The City's property taxes are now billed and collected by the Livingston Parish Tax Collector from information on assessed values received from the Livingston Parish Assessor's Office. The Tax Collector remits collections monthly to the City.

For the year ended June 30, 2005, taxes of 3.00 mills were levied on property with assessed valuations totaling \$62,106,950 and were dedicated to general purposes.

Total taxes levied were \$186,321. Taxes receivable at June 30, 2005, consisted of the following:

Taxes Receivable - Current Roll	\$ 6,863
Taxes Receivable - Prior Years	<u>8,082</u>
	14,945
Allowance for Uncollectible Taxes	<u>(9,946)</u>
	<u>\$ 4,999</u>

(5) Receivables -

Receivables as of June 30, 2005, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

	<u>Interest</u>	<u>Ad Valorem Taxes</u>	<u>Royalties</u>	<u>Franchise Taxes</u>	<u>Accounts</u>	<u>Unbilled Sales</u>	<u>Less: Allowance for Uncollectibles</u>	<u>Total - Net Receivable</u>
<u>Governmental Activities</u>								
General Fund	\$ 8,767	\$ 14,944	\$ 10,819	\$ 88,802	\$ 83,295	\$ -	\$ (9,946)	\$196,681
Nonmajor Governmental Funds	8,043	-	-	-	-	-	-	8,043
Internal Service Fund	<u>86</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86</u>
Total Governmental Activities	16,896	14,944	10,819	88,802	83,295	-	(9,946)	204,810
<u>Business Type-Activities:</u>								
Utility Fund	10,769	-	-	-	432,545	283,964	(128,000)	599,278
<u>Component Units:</u>								
City Court of Denham Springs - Ward II	1,460	-	-	-	896	-	-	2,356
Marshall of City Court of Denham Springs - Ward II	<u>396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,729</u>	<u>-</u>	<u>-</u>	<u>3,125</u>
Total Component Units	1,856	-	-	-	3,625	-	-	5,481
	<u>\$ 29,521</u>	<u>\$14,944</u>	<u>\$ 10,819</u>	<u>\$ 88,802</u>	<u>\$519,465</u>	<u>\$283,964</u>	<u>\$(137,946)</u>	<u>\$809,569</u>

(6) Due From Other Governments -

Due from Other Governments as of June 30, 2005, consists of the following:

	<u>Livingston Parish School Board</u>	<u>State of Louisiana</u>	<u>Livingston Parish</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>
<u>Governmental Activities</u>						
General Fund	\$743,117	\$ 7,631	\$ 29,645	\$ 31,436	\$ -	\$ 811,829
Nonmajor Governmental Funds	<u>-</u>	<u>193,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,132</u>
Total Governmental Activities	743,117	200,763	29,645	31,436	-	1,004,961
<u>Business Type-Activities:</u>						
Utility Fund	-	-	-	-	-	-
<u>Component Units:</u>						
City Court of Denham Springs - Ward II	-	-	-	-	-	-
Marshall of City Court of Denham Springs - Ward II	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,524</u>	<u>3,524</u>
Total Component Units	-	-	-	-	3,524	3,524
	<u>\$743,117</u>	<u>\$200,763</u>	<u>\$ 29,645</u>	<u>\$ 31,436</u>	<u>\$ 3,524</u>	<u>\$1,008,485</u>

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2005

(7) Interfund Receivables, Payables - Due (To) From Primary Government/Component Units - Transfers In, Transfers Out -

a. Balances due to/from other funds at June 30, 2005 consist of the following:

Due to Capital Projects Fund from the Utility Fund for a portion of the construction of a water maintenance building to be shared with the Fire Department. Upon completion the water maintenance portion was closed into the Enterprise Fund	\$ 137,765
Due to General Fund from the Utility Fund representing net cash in excess of outstanding checks	913,686
Due to Motor Pool Internal Service Fund from the Utility Fund representing net cash in excess of outstanding checks	<u>90,365</u>
	<u>\$1,141,816</u>

Summary of balances due from (to) other funds reported in fund financial statements and net internal balances as reported in the Statement of Net Assets:

	<u>Due From Other Funds</u>	<u>Due (To) Other Funds</u>	<u>Net Internal Balances</u>
Balance Sheet - Governmental Funds	\$1,051,451	\$ -	\$ 1,051,451
Statement of Net Assets - Governmental Activities Motor Pool Internal Service Fund	<u>90,365</u>	<u>-</u>	<u>90,365</u>
	1,141,316	-	1,141,816
Statement of Net Assets - Proprietary Fund	<u>-</u>	<u>(1,141,816)</u>	<u>(1,141,816)</u>
	<u>\$1,141,816</u>	<u>\$(1,141,816)</u>	<u>\$ -</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

- b. Receivable and payable balances at year-end between the Primary Government and Component Units were as follows:

	<u>Due (To)/From Primary Government</u>	<u>Due (To)/From Component Units</u>
<u>Primary Government:</u>		
General Fund	\$ -	\$ 3,164
<u>Component Units:</u>		
City Court of Denham Springs - Ward II	-	-
Marshal of City Court of Denham Springs - Ward II	<u>(3,164)</u>	<u>-</u>
Total	<u>\$ (3,164)</u>	<u>\$ 3,164</u>

- c. In the year ended June 30, 2005, the City of Denham Springs made the following one-time transfers:

A transfer of \$50,000 from the capital projects fund to the utility enterprise fund for the purchase of a new office building for the sewer department.

A transfer of \$42,538 from the Marshal of City Court of Denham Springs - Ward II (Component Unit) to the Witness Fee fund. The City Court of Denham Springs - Ward II is no longer handling the operation of the fund; therefore, the fund balance was transferred to the Primary Government. A new special revenue fund was created by the Primary Government to account for the operations.

(8) Changes in Capital Assets -

Primary government capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ 628,671	\$ -	\$ -	\$ 628,671
Construction in Progress	<u>202,393</u>	<u>156,705</u>	<u>(261,707)</u>	<u>97,391</u>
Total Capital Assets not being Depreciated	831,064	156,705	(261,707)	726,062

(CONTINUED)

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital Assets being Depreciated:				
Buildings and Improvements	4,203,662	41,930	-	4,245,592
Infrastructure	3,324,498	219,777	-	3,544,275
Equipment	<u>3,493,200</u>	<u>117,496</u>	<u>(38,869)</u>	<u>3,571,827</u>
Total Capital Assets being Depreciated	11,021,360	379,203	(38,869)	11,361,694
Less: Accumulated Depreciation for:				
Buildings and Improvements	1,864,710	111,183	-	1,975,893
Infrastructure	1,054,940	145,636	-	1,200,576
Equipment	<u>2,005,617</u>	<u>330,739</u>	<u>(29,498)</u>	<u>2,306,858</u>
Total Accumulated Depreciation	<u>4,925,267</u>	<u>587,558</u>	<u>(29,498)</u>	<u>5,483,327</u>
Total Capital Assets being Depreciated, Net	<u>6,096,093</u>	<u>(208,355)</u>	<u>(9,371)</u>	<u>5,878,367</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 6,927,157</u>	<u>\$ (51,650)</u>	<u>\$ (271,078)</u>	<u>\$ 6,604,429</u>
 <u>Business-Type Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ 159,575	\$ -	\$ -	\$ 159,575
Construction in Progress	<u>200,865</u>	<u>219,090</u>	<u>(386,596)</u>	<u>33,359</u>
Total Capital Assets not being Depreciated	360,440	219,090	(386,596)	192,934
 Capital Assets being Depreciated:				
Buildings and Improvements	474,247	73,660	-	547,907
Gas System	3,409,995	206,737	-	3,616,732
Water System	6,831,112	214,354	-	7,045,466
Sewer System	14,145,898	-	-	14,145,898
Equipment	<u>1,465,891</u>	<u>7,209</u>	<u>-</u>	<u>1,473,100</u>
Total Capital Assets being Depreciated	26,327,143	501,960	-	26,829,103

(CONTINUED)

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Less: Accumulated Depreciation for:				
Building and Improvements	137,645	14,919	-	152,564
Gas System	2,342,302	60,557	-	2,402,859
Water System	3,907,966	172,188	-	4,080,154
Sewer System	3,698,038	283,181	-	3,981,219
Equipment	<u>1,011,903</u>	<u>109,519</u>	<u>-</u>	<u>1,121,422</u>
Total Accumulated Depreciation	11,097,854	640,364	-	11,738,218
Total Capital Assets being Depreciated, Net	<u>15,229,289</u>	<u>(138,404)</u>	<u>-</u>	<u>15,090,885</u>
Total Business-Type Activities Capital Assets, Net	<u>\$15,589,729</u>	<u>\$ 80,686</u>	<u>\$ (386,596)</u>	<u>\$15,283,819</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 85,845
Public Safety	238,498
Highway and Streets	<u>256,306</u>
	580,649

Capital Assets Held by Internal
Service Funds are Charged to the
Various Functions Based on their
Usage of the Assets

6,909

Total Depreciation Expense -
Governmental Activities

\$ 587,558

Business-Type Activities:

Water	\$ 219,560
Gas	94,808
Sewer	321,698
Sanitation	<u>4,298</u>

Total Depreciation Expense -
Business-Type Activities

\$ 640,364

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

Construction Commitments

The City has active construction projects as of June 30, 2005. The projects include the renovation of the "Old City Hall" building in downtown Denham Springs and the construction of sidewalks down Hatchell Lane. The renovation of Old City Hall is being funded entirely by the City of Denham Springs, while the sidewalks project will receive a State grant for \$323,000.

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Renovation of Old City Hall	\$ 84,675	\$ 365,325
Sidewalk Construction - Phase II - Hatchell Lane	<u>12,716</u>	<u>352,716</u>
	<u>\$ 97,391</u>	<u>\$ 718,041</u>

In addition, the City is working with the State of Louisiana in an effort to ease traffic flow on State Highways through the City of Denham Springs. The project is referred to as the Range Road Corridor Project. The total cost of the project is estimated to be \$7,200,000 with the majority of the cost being reimbursed to the City from the State. These costs will not be capitalized as infrastructure costs, as the City of Denham Springs will not own these improvements. Costs incurred to date as Highways and Street expenditures amount to \$720,239.

A summary of changes in capital assets for component units is as follows:

City Court of Denham Springs - Ward II:

<u>Governmental Activities</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Equipment:				
Copier	\$ 4,880	\$ 6,138	\$ -	\$ 11,018
Telephone System	11,171	-	-	11,171
Furniture and Fixtures	19,953	1,335	-	21,288
Computer Equipment	95,205	6,960	-	102,165
Police Equipment	4,273	-	-	4,273
Leasehold Improvements	15,696	-	-	15,696
Other Equipment	<u>22,113</u>	<u>650</u>	<u>-</u>	<u>22,763</u>
Totals	173,291	15,083	-	188,374
Less: Accumulated Depreciation	<u>(135,487)</u>	<u>(9,336)</u>	<u>-</u>	<u>(144,823)</u>
Capital Assets, Net	<u>\$ 37,804</u>	<u>\$ 5,747</u>	<u>\$ -</u>	<u>\$ 43,551</u>

(CONTINUED)

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

City Court of Denham Springs - Ward II:

<u>Governmental Activities</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Office Equipment	\$ 23,838	\$ 3,431	\$ (1,518)	\$ 25,751
Furniture and Fixtures	9,377	-	-	9,377
Machinery and Equipment	36,084	5,899	-	41,983
Vehicles	71,924	15,923	-	87,847
Leasehold Improvements	<u>4,411</u>	<u>-</u>	<u>-</u>	<u>4,411</u>
Totals	145,634	25,253	(1,518)	169,369
Less: Accumulated Depreciation	<u>(89,720)</u>	<u>(18,696)</u>	<u>(1,518)</u>	<u>(106,898)</u>
Capital Assets, Net	<u>\$ 55,914</u>	<u>\$ 6,557</u>	<u>\$ -</u>	<u>\$ 62,471</u>

(9) Long-Term Liabilities -

Revenue Bonds The City issues bonds where it pledges income derived from the acquired or constructed assets to pay debt services. Revenue bonds outstanding at June 30, 2005, are as follows:

<u>Description/Purpose</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance June 30, 2005</u>
Business-Type Activities: 1998 Utility Revenue Refunding Bonds - Proceeds Used to Advance Refund Prior Revenue Bonds	<u>\$1,712,505</u>	<u>7.20%</u>	<u>04-01-2006</u>	<u>\$160,144</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

Revenue bond debt service requirements to maturity, including interest requirements, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ <u>160,144</u>	\$ <u>11,530</u>	\$ <u>171,674</u>
Total Revenue Bonds	<u>\$160,144</u>	<u>\$ 11,530</u>	<u>\$171,674</u>

The City of Denham Springs issued \$1,712,505 of 1998 Utility Revenue Refunding Bonds dated July 17, 1998. These bonds along with monies from the 1989 Sinking, Reserve, and Contingency accounts were used to advance refund the 1989 Utility Revenue Refunding Bonds. The bonds are payable solely from revenues derived from the Enterprise Fund.

The Sinking Fund, Reserve Fund, and Contingency Fund requirements of the 1989 bond were eliminated with the issuance of the 1998 bonds.

Prior Year Bond Defeasance There are no outstanding balances on any prior-year bond defeasance as of June 30, 2005.

Capital Lease Payable The City entered into a capital lease agreement on September 5, 2003, for financing the purchase of a street sweeper for the Street Department. The lease requires monthly payments of principal and interest of \$3,186 for 60 months with a final payment due September 5, 2008. The lease agreement contains a non-appropriation exculpatory clause that allows cancellation if the City Council does not make an annual appropriation for the lease payments. The capital lease payable at June 30, 2005, is as follows:

<u>Description/Purpose</u>	<u>Original Lease Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance June 30, 2005</u>
Governmental Activities: Capital lease to finance the purchase of a street sweeper	<u>\$174,485</u>	<u>3.65%</u>	<u>09/05/08</u>	<u>\$114,167</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

Capital lease payments to maturity including interest requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 31,705	\$ 3,341	\$ 35,046
2007	35,816	2,415	38,231
2008	37,146	1,085	38,231
2009	<u>9,500</u>	<u>58</u>	<u>9,558</u>
Total	<u>\$114,167</u>	<u>\$ 6,899</u>	<u>\$121,066</u>

Changes in Long-Term Debt Long-term liability activity for the year ended June 30, 2005 is as follows:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital Lease	\$ 147,567	\$ -	\$ 33,400	\$114,167	\$ 31,705
Compensated Absences	<u>332,978</u>	<u>343,768</u>	<u>329,672</u>	<u>347,074</u>	<u>86,769</u>
Governmental Activity					
Long-Term Liabilities	<u>\$ 480,545</u>	<u>\$343,768</u>	<u>\$363,072</u>	<u>\$461,241</u>	<u>\$118,474</u>
Business-Type Activities:					
1998 Utility Revenue					
Refunding Bond	\$ 385,623	\$ -	\$225,479	\$160,144	\$160,144
Less: Deferred Amount on Refunding	<u>(18,841)</u>	<u>-</u>	<u>(11,017)</u>	<u>(7,824)</u>	<u>(7,824)</u>
Total Bonds Payable	366,782	-	214,462	152,320	152,320
Environmental Assessment					
Liabilities	112,294	-	26,456	85,838	70,838
Compensated Absences	<u>57,889</u>	<u>76,353</u>	<u>80,009</u>	<u>54,233</u>	<u>13,558</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 536,965</u>	<u>\$ 76,353</u>	<u>\$320,927</u>	<u>\$292,391</u>	<u>\$236,716</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

The internal service fund serves predominantly the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$2,094 of compensated absences for the internal service fund is included in the above amounts. Also, for the governmental activities, capital leases and compensated absences are generally liquidated by the General Fund.

(10) Customers' Deposits -

Meter deposits are paid by customers upon application for utility services and are returnable to them upon termination of service. Receipts from meter deposits are deposited in the Utility Operating Fund and refunds of deposits on termination of service are made from the same account.

The City has a certificate of deposit which is designated specifically for Customers' Deposits. At June 30, 2005, customers' deposits amounted to \$624,705 and the balance of the certificate of deposit amounted to \$630,000 and is included as a Restricted Asset on the Statement of Net Assets.

(11) Retirement Commitments -

A. Plan Descriptions, Contribution Information, and Funding Policies

Substantially all employees of the City of Denham Springs are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters Retirement System of Louisiana. These systems are multiple employer (cost-sharing), public employee retirement systems (PERS), controlled and administered by separate boards of trustees. Pertinent information relative to each plan follows:

CITY OF DENHAM SPRINGS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Municipal Employees Retirement System of Louisiana</u>	<u>Municipal Police Employees Retirement System of Louisiana</u>	<u>Firefighters Retirement System of Louisiana</u>
Eligibility to Participate	All permanent employees working at least 35 hours per week, not covered by another pension plan, and under age 60 at date of employment and are paid wholly or in part from City funds; all elected municipal officials are also eligible to participate; all employees of the City are members of Plan B.	All full-time police department employees engaged in law enforcement are required to participate in the System.	Mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System.
Authority Establishing Contribution Obligations and Benefits	State Statute	State Statute	State Statute
Plan Members' Contribution Rate (Percent of Covered Payroll)	5.00%	7.50%	8.00%
City's Contribution Rate (Percent of Covered Payroll)	9.50%	21.50%	24.0%

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

	<u>Municipal Employees Retirement System of Louisiana</u>	<u>Municipal Police Employees Retirement System of Louisiana</u>	<u>Firefighters Retirement System of Louisiana</u>
Period Required to Vest	10 years	12 years	12 years
Benefits and Eligibility for Distri- bution (Full-Time)	At or after age 60 with at least 10 years of creditable service or at or after 55 with at least 30 years of creditable service, 2% of final average salary multiplied by the years of creditable service; at least 10 years but less than 30 years of creditable service, may take early retirement benefits reduced 3% for each year retirement precedes age 60; in any case monthly retirement benefits can not exceed 100% of final average salary	25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years of creditable service and is age 55, 3 1/3% of average salary multiplied by the years of creditable service not to exceed 100% of final salary; early retirement, 20 years of service regardless of age, 3 1/3% of average salary multiplied by creditable service actuarially reduced for retirement prior to age 50.	20 years or more of creditable service and attained age 50 or 12 years of service and age 55 or 25 years of service at any age, 3 1/3% of average salary multiplied by the years of creditable service not to exceed 100% of final salary
Deferred Retirement Option	Yes, 30 years creditable service	Yes, 25 years of creditable service regardless of age or 20 years of creditable service and attaining the age of 50	Yes, after completing 20 years of creditable service

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

	<u>Municipal Employees Retirement System of Louisiana</u>	<u>Municipal Police Employees Retirement System of Louisiana</u>	<u>Firefighters Retirement System of Louisiana</u>
Provisions for:			
Cost of Living Adjustments (Normal Retirement)	Yes	Yes	Yes
Death (Duty, Non-Duty, Post Retirement)	Yes	Yes	Yes
Disability (Duty, Non-Duty)	Yes	Yes	Yes
Cost of Living Allowances	Yes	Yes	Yes

B. Trend Information -

Contributions required by State statute:

<u>Fiscal Year</u>	<u>Municipal Employees Retirement System of Louisiana</u>		<u>Municipal Police Employees Retirement System of Louisiana</u>		<u>Firefighters Retirement System of Louisiana</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
1998	\$121,610	94%	\$130,803	100%	\$ 95,453	100%
1999	\$147,921	100%	\$143,895	100%	\$ 98,786	100%
2000	\$166,991	100%	\$163,093	100%	\$100,037	100%
2001	\$177,412	100%	\$176,186	100%	\$101,219	100%
2002	\$184,844	100%	\$177,673	100%	\$122,030	100%
2003	\$235,415	100%	\$182,630	100%	\$128,281	100%
2004	\$299,519	100%	\$275,777	100%	\$235,124	59%
2005	\$317,335	100%	\$320,036	100%	\$254,973	138%

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

During the prior fiscal year, the Firefighters Retirement System of Louisiana increased the employer required contribution rate from 9% to 21%. A lawsuit was filed by the Louisiana Municipal Association seeking protection for the Louisiana municipalities from the increase. The Louisiana Municipal Association won its lawsuit in Louisiana District Court but the Firefighters Retirement System of Louisiana appealed to the Louisiana Supreme Court. In the current year, the lawsuit was settled in favor of the Firefighters Retirement System of Louisiana. All liabilities owed by the City have been paid as of June 30, 2005.

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their annual financial reports. Copies of these reports may be obtained from the respective State retirement systems.

(12) Deferred Compensation Plan -

The City offers its employees a deferred compensation plan created in accordance with Louisiana Revised Statutes 42:1301 through 42:1308 and Section 457 of the Internal Revenue Code of 1954. The Louisiana Public Employees' Deferred Compensation Plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. In accordance with the amended provisions of Internal Revenue Code Section 457 which were enacted into law in August 1996, all amounts deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are solely the property and rights of the participants and their beneficiaries. As required by the amendment to the code, the City established a custodial account with a third party administrator who will hold the assets and income of the plan.

Under GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", governments who have no responsibility for the plan and are not formally considered the plan's trustee are not required to report the plan in its financial statements. Since the City's plan is held in a custodial account with a third party administrator, the assets and liabilities are not presented in the City's financial statements as of June 30, 2005.

Assets totaling \$295,213 are held by Great West Life & Annuity Insurance Company, a deferred compensation center.

Compensation deferred under this plan for the fiscal year ended June 30, 2005, amounted to \$49,326.

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

(13) Litigation -

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City of Denham Springs.

(14) Intergovernmental Revenue -

GASB No. 24 requires government employers to disclose the amount recognized in the financial statements for on-behalf payments of salaries and fringe benefits.

Supplementary salary payments are made by the State of Louisiana directly to certain groups of the City's employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual contribution made by the State. For the fiscal year ended June 30, 2005, the State paid supplemental salaries to the City's fire and law enforcement employees in the amount of \$180,010.

(15) Risk Management -

The City is exposed to various risks of loss related to torts theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City maintains commercial insurance for all risks of loss, including (1) Worker's Compensation, (2) Public Official Bonds and Employees Liability, (3) Business Auto Liability, (4) Umbrella coverage, (5) Law Enforcement Professional Liability, (6) Fire and Extended coverage and (7) Flood Insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(16) Mayor and Council Members' Compensation -

The following list includes the compensation paid to the Mayor and Council Members for the year ended June 30, 2005. The current terms of the Mayor and Council Members expire on December 31, 2006.

James E. Durbin, Mayor	\$ 55,010
417 Centerville Street	
Denham Springs, Louisiana 70726	
Telephone: 665-8121	
Term Began: January 1, 2003	

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

Lori Lamm-Williams, Council Member 717 Poplar Street Denham Springs, Louisiana 70726 Telephone: 665-4462 Term Began: January 1, 2003	\$ 9,800
George Meadors, Council Member 135 N. College Denham Springs, Louisiana 70726 Telephone: 665-4889 Term Began: January 1, 2003	\$ 9,800
Arthur Perkins, Council Member 906 Hatchell Lane Denham Springs, Louisiana 70726 Telephone: 664-6730 Term Began: January 1, 2003	\$ 9,800
Robert Poole, Council Member 1403 Weeping Willows Drive Denham Springs, Louisiana 70726 Telephone: 665-4464 Term Began: January 1, 2003	\$ 9,800
John Wascom, Council Member 522 Centerville Street Denham Springs, Louisiana 70726 Telephone: 665-7037 Term Began: January 1, 2003	\$ 9,000

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

**(17) Schedule of Utility Enterprise Fund Net Income (Loss) from Operations
by Department for the Fiscal Year Ended June 30, 2005 -**

	<u>Gas Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Sanitation Department</u>	<u>Total Utility Enterprise Fund</u>
Operating Revenues:					
Charges for Services	\$ 3,089,983	\$ 1,129,721	\$ 716,792	\$ 575,434	\$ 5,511,930
Delinquent Charges	41,867	15,306	9,712	7,797	74,682
Miscellaneous	-	47,236	456	-	47,692
Total Operating Revenues	3,131,850	1,192,263	726,960	583,231	5,634,304
Operating Expenses:					
Direct	2,761,858	818,581	1,003,790	575,828	5,160,057
General and Administrative	353,365	317,337	418,493	67,749	1,156,944
Total Operating Expenses	3,115,223	1,135,918	1,422,283	643,577	6,317,001
Operating Income (Loss) by Department	16,627	56,345	(695,323)	(60,346)	(682,697)
Nonoperating Revenues	-	-	-	-	99,448
Nonoperating Expenses	-	-	(34,723)	-	(34,723)
Capital Contributions	-	-	32,105	-	32,105
Transfers from Capital Projects	-	-	50,000	-	50,000
Change in Net Assets					(535,867)
Business-Type Activities					
Departmental Net Income (Loss)	<u>\$ 16,627</u>	<u>\$ 56,345</u>	<u>\$ (647,941)</u>	<u>\$ (60,346)</u>	
Change in Net Assets					
Business-Type Activities					<u>\$ (535,867)</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

**(18) Schedule of Utility Fund Operating Expenses by Department
for the Fiscal Year Ended June 30, 2005 -**

	<u>Gas Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Sanitation Department</u>	<u>Total Utility Enterprise Fund</u>
Direct Expenses:					
Natural Gas Purchases	\$ 1,840,559	\$ -	\$ -	\$ -	\$ 1,840,559
Direct Labor	472,163	297,332	255,727	-	1,025,222
Chlorinator Expense	-	21,414	-	-	21,414
Depreciation	94,808	219,560	321,698	4,298	640,364
Electricity	9,113	113,606	187,009	-	309,728
Equipment Expenses	84,991	49,891	51,187	-	186,069
Equipment Rental	17,964	3,309	3,114	-	24,387
Lab Fees	-	-	20,490	-	20,490
Maintenance	155,811	42,988	150,676	-	349,475
Meter Reading	45,793	63,238	-	-	109,031
Meter Repairs	20,726	-	-	-	20,726
Small Tools and Supplies	19,930	7,243	13,889	73	41,135
Subcontract Disposal Service	-	-	-	571,457	571,457
	<u>2,761,858</u>	<u>818,581</u>	<u>1,003,790</u>	<u>575,828</u>	<u>5,160,057</u>
General and Administrative Expenses:					
Office Salaries	57,752	79,883	64,959	40,879	243,473
Payroll Taxes, Retirement and Group Insurance	139,729	99,042	75,171	9,975	323,917
Electricity	3,657	5,059	4,113	2,589	15,418
Ground Maintenance	-	6,814	2,925	-	9,739
Insurance	49,818	31,174	34,755	854	116,601
Miscellaneous	34,821	20,327	21,701	2,960	79,809
Office Expense	27,906	20,575	25,328	4,377	78,186
Professional Fees	12,271	34,575	172,011	2,665	221,522
Telephone	23,379	14,310	12,994	596	51,279
Bad Debts	4,032	5,578	4,536	2,854	17,000
	<u>353,365</u>	<u>317,337</u>	<u>418,493</u>	<u>67,749</u>	<u>1,156,944</u>
Total Operating Expenses	<u><u>\$ 3,115,223</u></u>	<u><u>\$ 1,135,918</u></u>	<u><u>\$ 1,422,283</u></u>	<u><u>\$ 643,577</u></u>	<u><u>\$ 6,317,001</u></u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

(19) Schedule of Utility Enterprise Fund Operating Expenses by
Function for the Fiscal Year Ended June 30, 2005 -

Personal Services and Benefits:

Direct Labor	\$ 1,025,222
Office Salaries	243,473
Payroll Taxes, Retirement and Group Insurance	323,917
	<hr/>
	1,592,612

Contractual Services:

Chlorinator Expense	21,414
Equipment Rental	24,387
Lab Fees	20,490
Meter Reading	109,031
Subcontract Disposal Service	571,457
Professional Fees	221,522
	<hr/>
	968,301

Cost of Materials:

Natural Gas Purchases	1,840,559
-----------------------	-----------

Utilities:

Electricity (Direct)	309,728
Electricity (General)	15,418
Telephone	51,279
	<hr/>
	376,425

Repair and Maintenance:

Equipment Expenses	186,069
Maintenance	349,475
Meter Repairs	20,726
Ground Maintenance	9,739
	<hr/>
	566,009

Supplies:

Small Tools and Supplies	41,135
Office Expense	78,186
Miscellaneous	79,809
	<hr/>
	199,130

Insurance

116,601

Depreciation

640,364

Bad Debts

17,000

Total Operating Expenses

\$ 6,317,001

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

(20) Revenues and Expenditures - Actual and Budget -

The following fund had actual expenditures and/or other uses over budgeted expenditures and/or other uses by 5% or more for the year ended June 30, 2005:

<u>Capital Projects Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures:			
Construction Costs and Related Expenditures	\$431,930	\$468,423	\$(36,493)
	<u> </u>	<u> </u>	<u> </u>
Other Financing Uses:			
Transfers Out	\$ -	\$ 50,000	\$(50,000)
	<u> </u>	<u> </u>	<u> </u>

State law requires that budgets be amended when actual revenues are less than budgeted revenues or actual expenditures exceed budgeted expenditures by 5% or more.

(21) Subsequent Events -

Subsequent to year end, hurricane Katrina hit the southeast Louisiana coast on August 29, 2005. The path of Katrina took the storm directly over the southeastern area of Louisiana. Then, on September 24, 2005, hurricane Rita hit the southwestern coast of Louisiana. The President of the United States has declared the majority of the State of Louisiana, including Livingston Parish, a disaster area. Initial damages due to the wind and flooding are catastrophic in these areas. At this time we are unable to evaluate the effect, if any, that these events may have on the City of Denham Springs.

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUND

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects Fund - This fund is used to account for the costs of major repairs and construction of City streets, for the costs of improving major drainage arteries throughout the City, and for the construction costs and/or major renovation costs to various City buildings.

DEBT SERVICE FUND

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

1994 Paving Certificates Debt Service Fund - This fund is used to account for the collection of a special assessment on the property owners of the Lakeland Acres Subdivision. The proceeds of such collections to be used to make annual payments on the 1994 Paving Certificates of Indebtedness incurred for the benefit of the property owners of the Lakeland Acres Subdivision.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

Cemetery Care Permanent Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the City's cemetery.

SPECIAL REVENUE FUND

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose.

Witness Fee Fund - This fund is used to account for the cost of court appearances by police officers at the City Court of Denham Springs - Ward II to provide testimony.

CITY OF DENHAM SPRINGS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

	Capital Projects Fund	1994 Paving Certificates Debt Service Fund	Cemetery Care Permanent Fund	Witness Fee Fund	Nonmajor Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 19,909	\$ 3,105	\$ 122,232	\$ 44,113	\$ 189,359
Investments, at Cost	200,000	-	410,000	-	610,000
Receivables (Net of Allowance for Uncollectibles):					
Other	3,070	9	4,517	447	8,043
Due from Other Funds	137,765	-	-	-	137,765
Due from Other Governments	193,132	-	-	-	193,132
Total Assets	\$ 553,876	\$ 3,114	\$ 536,749	\$ 44,560	\$ 1,138,299
LIABILITIES AND FUND BALANCES					
Accounts Payable	\$ -	\$ -	\$ 70	\$ 12	\$ 82
Due to Component Unit	-	-	-	133	133
Total Liabilities	-	-	70	145	215
Fund Balance:					
Reserved for Cemetery Expenditures	-	-	536,679	-	536,679
Unreserved:					
Undesignated	553,876	3,114	-	44,415	601,405
Total Fund Balances	553,876	3,114	536,679	44,415	1,138,084
Total Liabilities and Fund Balances	\$ 553,876	\$ 3,114	\$ 536,749	\$ 44,560	\$ 1,138,299

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Capital Projects Fund	1994 Paving Certificates Debt Service Fund	Cemetery Care Permanent Fund	Witness Fee Fund	Nonmajor Governmental Funds
Revenues:					
State Grant	\$ 295,044	\$ -	\$ -	\$ -	\$ 295,044
Fees	-	-	-	16,291	16,291
Interest	7,925	37	11,063	421	19,446
Miscellaneous	-	-	17,025	-	17,025
Total Revenues	302,969	37	28,088	16,712	347,806
Expenditures:					
Current:					
General Government	-	35	235	14,835	15,105
Capital Outlay:					
Highways and Streets	468,423	-	-	-	468,423
Total Expenditures	468,423	35	235	14,835	483,528
Excess (Deficiency) of Revenues over Expenditures	(165,454)	2	27,853	1,877	(135,722)
Other Financing Sources (Uses):					
Transfer In From Component Unit	-	-	-	42,538	42,538
Transfers Out	(50,000)	-	-	-	(50,000)
Net Change in Fund Balances	(215,454)	2	27,853	44,415	(143,184)
Fund Balances at Beginning of Year	769,330	3,112	508,826	-	1,281,268
Fund Balances at End of Year	\$ 553,876	\$ 3,114	\$ 536,679	\$ 44,415	\$ 1,138,084

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
CAPITAL PROJECTS FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 8,000	\$ 3,500	\$ 7,925	\$ 4,425
State Grants	400,000	250,000	295,044	45,044
Total Revenues	408,000	253,500	302,969	49,469
Expenditures:				
Construction Costs and Related Expenditures	1,050,000	431,930	468,423	(36,493)
Total Expenditures	1,050,000	431,930	468,423	(36,493)
Excess (Deficiency) of Revenues Over Expenditures	(642,000)	(178,430)	(165,454)	12,976
Other Financing Sources (Uses):				
Transfers In	25,000	-	-	-
Transfers Out	-	-	(50,000)	(50,000)
Net Change in Fund Balances	(617,000)	(178,430)	(215,454)	(37,024)
Fund Balance at Beginning of Year	769,330	769,330	769,330	-
Fund Balance at End of Year	\$ 152,330	\$ 590,900	\$ 553,876	\$ (37,024)

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
WITNESS FEE FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees	\$ -	\$ 14,805	\$ 16,291	\$ 1,486
Interest	-	-	421	421
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	-	14,805	16,712	1,907
Expenditures:				
General Government	-	14,400	14,835	(435)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	-	14,400	14,835	(435)
Excess (Deficiency) of Revenues Over Expenditures	-	405	1,877	1,472
Other Financing Sources (Uses):				
Transfers In From Component Unit	-	42,538	42,538	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	-	42,943	44,415	1,472
Fund Balance at Beginning of Year	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 42,943</u>	<u>\$ 44,415</u>	<u>\$ 1,472</u>

The accompanying notes constitute an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF DENHAM SPRINGS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS¹
SCHEDULE BY SOURCE

JUNE 30, 2005

Governmental Funds Capital Assets:

Land	\$ 628,671
Land Improvements	38,565
Buildings	4,125,874
Equipment	3,482,199
Infrastructure	3,544,275
Construction in Progress	97,391
	<hr/>
Total General Fixed Assets	\$ 11,916,975
	<hr/> <hr/>

Investments in Governmental Funds Capital Assets by Source:

General Fund Revenues	\$ 3,949,890
Federal Revenues and Federal Grants	423,074
Donated Infrastructure	620,558
Capital Improvement Funds:	
City's Share of Cost:	
General Fund	4,295,295
Federal Revenue Sharing	201,482
Federal Grants	614,577
State Grants	1,812,099
	<hr/>
Total Investment in General Fixed Assets	\$ 11,916,975
	<hr/> <hr/>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund is excluded from the above amounts. The capital assets of the internal service fund is included as governmental activities in the statement of net assets.

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹

JUNE 30, 2005

Function and Activity:	Improvements		
	Land	Other Than Buildings	Buildings
General Government:			
General Government Buildings	\$ 415,439	\$ 13,950	\$ 1,620,430
Administration	-	-	-
Cemetery	2,000	11,002	10,313
Tax	-	-	-
Planning and Development	-	-	-
Public Service Workers	-	-	10,647
Landscape	-	-	-
Total General Government	417,439	24,952	1,641,390
Public Safety:			
Animal Control	1,500	4,660	84,133
Fire	8,250	-	548,842
Police	201,482	8,953	1,475,445
Litter Control	-	-	-
Total Public Safety	211,232	13,613	2,108,420
Highways and Streets:			
Streets	-	-	5,174
Health:			
Council on Aging	-	-	370,890
Total Governmental Funds Capital			
Assets Allocated to Functions	\$ 628,671	\$ 38,565	\$ 4,125,874

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund is excluded from the above amounts. The capital assets of the internal service fund is included as governmental activities in the statement of net assets.

The accompanying notes constitute an integral part of this statement.

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$ -	\$ -	\$ 2,049,819
196,678	-	196,678
29,322	-	52,637
2,199	-	2,199
25,508	-	25,508
-	-	10,647
21,114	-	21,114
<u>274,821</u>	-	<u>2,358,602</u>
35,935	-	126,228
816,183	-	1,373,275
1,208,739	-	2,894,619
24,330	-	24,330
<u>2,085,187</u>	-	<u>4,418,452</u>
1,122,191	3,544,275	4,671,640
<u>-</u>	<u>-</u>	<u>370,890</u>
<u>\$ 3,482,199</u>	<u>\$ 3,544,275</u>	11,819,584
Construction in Progress		<u>97,391</u>
		<u>\$ 11,916,975</u>

CITY OF DENHAM SPRINGS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹

FOR THE YEAR ENDED JUNE 30, 2005

Function and Activity:	Governmental	Transfers	Additions	Deductions	Governmental
	Funds Capital Assets 7/1/04				Funds Capital Assets 6/30/05
General Government:					
General Government Buildings	\$ 2,007,889	\$ -	\$ 41,930	\$ -	\$ 2,049,819
Administration	193,751	-	6,248	3,321	196,678
Cemetery	52,637	-	-	-	52,637
Tax	2,199	-	-	-	2,199
Planning and Development	24,409	-	1,099	-	25,508
Public Service Workers	10,647	-	-	-	10,647
Landscape	21,114	-	-	-	21,114
Total General Government	2,312,646	-	49,277	3,321	2,358,602
Public Safety:					
Animal Control	126,228	-	-	-	126,228
Fire	1,371,837	-	1,438	-	1,373,275
Police	2,849,007	-	81,160	35,548	2,894,619
Litter Control	24,330	-	-	-	24,330
Total Public Safety	4,371,402	-	82,598	35,548	4,418,452
Highways and Streets:					
Streets	4,447,063	-	224,577	-	4,671,640
Health:					
Council on Aging	370,890	-	-	-	370,890
Construction in Progress	202,393	-	156,705	261,707	97,391
Total Governmental Funds Capital Assets	\$ 11,704,394	\$ -	\$ 513,157	\$ 300,576	\$ 11,916,975

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund is excluded from the above amounts. The capital assets of the internal service fund is included as governmental activities in the statement of net assets.

The accompanying notes constitute an integral part of this statement.

SUPPLEMENTARY SCHEDULE

CITY OF DENHAM SPRINGS
SCHEDULE OF INSURANCE COVERAGE IN FORCE

JUNE 30, 2005

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
CNA Surety	Public Official Bonds		
	Mayor; James Durbin	\$ 50,000	1/01/06
	Council Members:		
	Arthur Perkins	\$ 10,000	1/12/06
	George Meadors	\$ 10,000	1/01/06
	Robert Poole	\$ 10,000	1/01/06
	John B. Wascom	\$ 10,000	1/01/06
	Lori Lamm-Williams	\$ 10,000	1/01/06
	Public Employees Blanket Bond:		
	City Treasurer:		
Clarence Speed	\$ 50,000	12/11/05	
City Clerk:			
Joan LeBlanc	\$ 50,000	2/06/06	
Travelers Insurance Company	Property and Casualty Coverage -		
	90% Co-Insurance:		
	Municipal Building	\$ 1,625,000	
	Contents	\$ 474,000	7/01/05
	<u>941 Government Street</u>		
	Steel Water Tank and Tower	\$ 258,000	7/01/05
	<u>110 Brignac Street</u>		
	Council on Aging Buildings	\$ 835,000	7/01/05
	<u>949 Government Street</u>		
	Fire Station Building	\$ 265,000	
Contents	\$ 11,000	7/01/05	
<u>1100 Hatchell Lane</u>			
Fire Station/Water Dept	\$ 630,000		
Office Building	\$ 15,000	7/01/05	
Contents			
<u>27135 La. Hwy. 16</u>			

(CONTINUED)

CITY OF DENHAM SPRINGS
SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2005

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
	Police Station and Jail Facility	\$1,420,000	
	Contents	\$ 155,000	7/01/05
	<u>447 Lamm Street</u>		
	Fire Station Building	\$ 358,000	
	Contents	\$ 13,000	7/01/05
	<u>930 Government Street</u>		
	Sewer Building	\$ 73,660	
	Contents	\$ 15,000	7/01/05
	<u>9150 Forest Delatte Road</u>		
	Street Dept. Maintenance Building	\$ 50,000	
	Contents	\$ 2,000	7/01/05
	<u>600-A Bowman St.</u>		
	Street Dept. Office Building	\$ 50,000	
	Contents	\$ 2,000	7/01/05
	<u>600-B Bowman St.</u>		
	Animal Control Buildings	\$ 59,000	
	Contents	\$ 2,000	7/01/05
	<u>600-C Bowman Street</u>		
	Street Dept. Maintenance Equipment Building	\$ 41,930	7/01/05
	<u>600-D Bowman St.</u>		
Travelers Insurance Company	Youth Services Office Building	\$ 290,000	7/01/05
	<u>940 Government Street</u>		
	Utility Warehouse Building	\$ 93,000	
	Contents	\$ 31,000	7/01/05
	<u>112 Brignac Street</u>		

(CONTINUED)

CITY OF DENHAM SPRINGS
SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2005

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
	Motor Pool and Warehouse Building	\$ 265,000	
	Contents	\$ 77,000	7/01/05
	<u>401 N. Railroad Ave.</u>		
	Arts Council/Red Cross Building	\$ 160,000	7/01/05
	<u>133 Hummel St.</u>		
	Pine Street Pump Station Building	\$ 13,000	7/01/05
	<u>2635 Pine St.</u>		
	Steel Water Tank and Tower	\$ 566,000	7/01/05
	<u>Pete's Highway</u>		
Louisiana Workers' Compensation Corporation	Workmen's Compensation Statutory		7/01/05
Risk Management	General Liability	\$ 500,000	7/01/05
	Law Enforcement		
	Professional Liability	\$ 500,000	7/01/05
Risk Management	Public Officials and Employees Liability		
	Errors and Omissions	\$ 500,000	7/01/05
Risk Management	Business Auto Liability	\$ 500,000	7/01/05
Essex Insurance	Vehicle Physical Damage	Actual Cash Value	7/01/05

(CONTINUED)

CITY OF DENHAM SPRINGS
SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2005

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
National Flood Services	Flood Insurance:		
	Fire Station Building	\$ 28,000	
	Contents	\$ 20,000	7/01/05
	<u>930 Government Street</u>		
	Youth Services Office Building	\$ 55,000	
	Contents	\$ 20,000	7/01/05
	<u>940 Government Street</u>		
	Municipal Building	\$ 215,000	
	Contents	\$ 40,000	7/01/05
	<u>941 Government Street</u>		
	Council on Aging Building	\$ 60,000	
	Contents	\$ 40,000	7/01/05
	<u>949 Government Street</u>		
	Fire Station Building	\$ 28,000	
	Contents	\$ 20,000	7/01/05
	<u>1100 Hatchell Lane</u>		
	Police Station and Jail Facility	\$ 250,000	
	Contents	\$ 20,000	7/01/05
	<u>447 Lamm Street</u>		
	Animal Control Center Building	\$ 16,000	7/01/05
	<u>600-C Bowman Street</u>		

See auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

**THIS SECTION WHICH IS COMPOSED OF ACCOUNTING
AND NONACCOUNTING DATA IS PRESENTED IN ORDER TO
PROVIDE THE READER WITH ADDITIONAL INFORMATION
AS AN AID TO UNDERSTANDING THE FINANCIAL ACTIVITIES
OF THE GOVERNMENTAL UNIT**

CITY OF DENHAM SPRINGS

**GENERAL FUND EXPENDITURES AND
OTHER USES BY FUNCTION
PRIMARY GOVERNMENT**

LAST TEN YEARS

<u>Year</u>	<u>Total</u>	<u>General Government</u>	<u>Cemetery</u>	<u>Tax</u>	<u>Ward Court</u>	<u>Planning and Development</u>	<u>Public Service Worker</u>
1996	\$4,715,110	\$566,415	\$54,714	\$113,187	\$52,214	\$118,126	\$49,474
1997	5,084,763	567,761	65,158	105,258	52,923 ¹	118,433	36,735
1998	6,079,148	589,791	65,107	127,940	53,815	149,361	57,547
1999	5,977,575	609,259	63,710	115,097	47,611	129,454	73,085
2000	6,042,546	797,211	84,230	127,521	48,649	164,428	86,852
2001	6,186,246	786,534	78,248	119,634	50,588	186,565	77,301
2002	6,886,264	768,763	76,544	134,822	52,931	201,467	92,283
2003	7,248,180	965,962	90,779	135,400	69,715	201,923	70,201
2004	7,673,034	963,143	97,363	143,199	71,068	195,107	-
2005	7,232,260	831,558	100,408	164,135	85,818	171,149	-

¹Beginning in fiscal year 1997, salaries for the public service supervisor was allocated to Public Service Workers instead of Ward Court.

SOURCE: Annual Audited Basic Financial Statements.

Schedule 2

<u>Summer Food Program</u>	<u>Landscaping</u>	<u>Animal Control</u>	<u>Fire</u>	<u>Police</u>	<u>Litter Control</u>	<u>Streets and Lighting</u>	<u>Health</u>	<u>Culture and Recreation</u>	<u>Other Uses</u>
\$ 16,683	\$ -	\$30,963	\$ 763,037	\$1,450,946	\$ -	\$ 752,513	\$ 19,606	\$ -	\$ 727,232
11,692	-	32,541	917,192	1,553,477	-	881,121	18,723	17,083	706,666
12,908	-	54,346	930,801	1,677,296	-	782,805	24,695	48,462	1,504,274
7,997	-	50,962	909,489	1,840,913	-	820,329	36,144	56,570	1,216,955
-	-	47,983	962,111	2,141,501	-	1,057,353	33,450	115,873	375,384
-	-	65,256	1,168,583	2,294,625	-	1,174,442	25,954	62,994	95,522
-	-	72,174	1,213,688	2,398,571	-	1,184,453	29,098	77,645	583,825
-	55,691	94,225	1,311,799	2,425,238	32,491	1,087,427	27,768	32,891	646,670
-	110,955	136,847	1,572,897	2,693,821	46,223	1,116,727	47,841	28,786	449,057
-	82,942	132,870	1,593,112	2,720,787	46,680	1,067,247	79,185	16,129	140,240

CITY OF DENHAM SPRINGS

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
PRIMARY GOVERNMENT

LAST TEN YEARS

<u>Year</u>	<u>Total</u>	<u>Licenses and Taxes</u>	<u>Permits</u>	<u>Fines and Forfeits</u>	<u>911 Service Fees</u>
1996	\$5,224,269	\$3,871,998	\$520,631	\$189,498	\$131,040
1997	5,356,854	4,001,014	549,065	173,708	153,783
1998	5,622,484	4,166,264	543,224	191,915	165,314
1999	6,131,685	4,521,898	625,763	174,827	185,202
2000	6,559,820	4,908,105	658,740	205,178	188,662
2001	6,592,244	4,811,962	603,394	260,226	187,131
2002	6,617,970	4,935,933	627,006	244,035	197,785
2003	6,836,613	5,118,463	681,773	268,883	201,332
2004	7,504,520	5,711,381	718,200	308,716	-
2005	7,778,424	6,006,744	775,811	401,421	-

CITY OF DENHAM SPRINGS

GENERAL FUND TAX REVENUES BY SOURCE
PRIMARY GOVERNMENT

LAST TEN YEARS

<u>Year</u>	<u>Total</u>	<u>General Property Taxes</u>	<u>Alcoholic Beverage & Cable T.V.</u>	<u>Chain Store Tax</u>	<u>Electrical Franchise Tax</u>	<u>Sales Tax</u>
1996	\$3,871,998	\$128,952	\$ 79,655	\$11,085	\$410,645	\$3,035,569
1997	4,001,014	131,255	79,430	12,270	377,544	3,182,993
1998	4,166,264	126,772	79,889	11,984	398,317	3,334,669
1999	4,521,898	138,954	93,593	15,535	397,231	3,655,439
2000	4,908,105	135,970	128,082	17,690	432,712	4,149,183
2001	4,811,962	163,471	77,396	18,606	488,797	4,061,946
2002	4,935,933	159,204	125,973	18,538	437,017	4,193,182
2003	5,118,463	163,898	139,567	16,165	480,014	4,316,289
2004	5,711,381	169,727	150,422	17,733	534,142	4,837,302
2005	6,006,744	185,288	154,132	18,710	524,718	5,121,821

SOURCE: Annual Audited Basic Financial Statements.

Schedule 3

<u>Interest</u>	<u>Fees, Intergovernmental and Miscellaneous</u>	<u>Other Financing Sources</u>
\$ 79,822	\$418,027	\$13,253
85,202	379,707	14,375
107,266	430,469	18,032
76,973	533,021	14,001
89,229	490,085	19,821
115,938	581,983	31,610
59,518	535,577	18,116
30,868	529,132	6,162
20,969	568,243	177,011
26,752	567,696	-

Schedule 3A

<u>Tobacco Taxes</u>	<u>Wrecker Franchise Tax</u>	<u>Video Poker Fees</u>
\$42,578	\$ 1,820	\$161,694
42,564	1,870	173,088
42,571	2,160	169,902
42,571	2,105	176,470
42,571	1,897	-
-	1,746	-
-	2,019	-
-	2,530	-
-	2,055	-
-	2,075	-

CITY OF DENHAM SPRINGS
PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN YEARS

<u>Year</u>	<u>Total Tax Levy¹</u>	<u>Collections</u>	<u>Percent of Levy Collected</u>	<u>Prior Year Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Collections to Tax Levy</u>
1996	\$129,745	\$128,135	98.76%	\$ 1,379	\$129,514	99.82%
1997	130,850	129,826	99.22%	1,493	131,319	100.36%
1998	128,904	124,877	96.88%	452	125,329	97.23%
1999	140,063	134,660	96.14%	4,545	139,205	99.38%
2000	148,065	130,600	88.20%	1,310	131,910	89.09% ²
2001	158,130	150,197	94.98%	15,184	165,381	104.59%
2002	163,406	158,389	96.93%	3,889	162,278	99.31%
2003	166,238	161,052	96.88%	2,762	163,814	98.54%
2004	167,353	163,914	97.95%	4,247	168,161	100.48%
2005	186,321	179,459	96.32%	2,595	182,054	97.71%

¹"Total Tax Levy" represents the taxpayer portion of the original levy of the Assessor and is the amount to be paid by the taxpayer. The amounts to be paid by the taxpayer are ultimately collected in full except for adjustments due to assessment errors or delayed homestead exemptions.

SOURCE: City of Denham Springs Tax Office.

²During fiscal year ended June 30, 2000, numerous Louisiana Tax Commission Change Orders occurred reducing the percent of levy collected.

CITY OF DENHAM SPRINGS
ASSESSED AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
LAST TEN YEARS

<u>Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio of Total Assessed Value to Total Estimated Actual Value*</u>
1996	\$27,546,730	\$250,424,818	11%
1997	31,914,520	290,132,000	11
1998	31,439,890	285,817,200	11
1999	34,161,710	310,561,000	11
2000	36,113,430	328,303,900	11
2001	45,968,510	417,895,550	11
2002	47,502,340	431,839,450	11
2003	48,325,460	439,322,364	11
2004	53,467,960	486,072,364	11
2005	62,106,950	564,608,636	11

***Actual Valuation (Market Value) as Compared to Assessed Valuation**

Residential properties are assessed at 10% of fair market value; commercial and industrial properties, excluding land, are assessed at 15%. The overall assessed value is estimated to be 11% of actual market value.

SOURCE: Livingston Parish Assessor's Grand Recapitulation of the Assessment Roll for the Parish of Livingston.

CITY OF DENHAM SPRINGS
PROPERTY TAX RATES AND TAX LEVIES -
DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN YEARS

<u>Year</u>	<u>City</u>	<u>Parishwide¹</u>	<u>School District #1</u>	<u>Parish</u>	
				<u>Drainage District #1</u>	<u>Recreation District #3</u>
Tax Rates (Mills Per Dollar)					
1996	4.71	68.70	61.72	7.50	15.00
1997	4.10	67.45	53.29	7.03	30.00
1998	4.10	67.45	41.87	5.03	20.00
1999	4.10	64.56	33.64	4.53	18.00
2000	4.10	64.56	28.22	4.53	18.00
2001	3.44	62.84	24.16	3.66	20.00
2002	3.44	62.11	19.25	5.00	18.00
2003	3.44	63.11	15.54	5.00	20.00
2004	3.13	64.56	14.85	5.00	20.00
2005	3.00	63.14	10.50	4.60	16.49

TAX LEVIES

1996	\$129,745	\$1,193,129	\$1,071,905	\$130,254	\$260,508
1997	130,850	1,414,565	1,117,601	147,432	629,162
1998	128,904	1,359,568	843,960	101,388	403,134
1999	140,063	1,477,355	769,799	103,662	411,902
2000	148,065	1,542,418	674,211	108,227	430,042
2001	158,132	1,936,323	744,455	112,778	616,271
2002	163,406	1,991,400	617,203	160,312	577,125
2003	166,238	2,057,560	506,647	163,014	652,055
2004	167,353	2,339,008	538,015	181,150	724,600
2005	186,321	2,803,153	466,156	204,221	732,087

The tax levies represent the original levy of the assessor less the homestead exemption amounts.

¹Parishwide - includes all or some of the following:

Parish/Local, Dixon Sinking, Courthouse Sinking, Road Equipment/Maintenance, Drainage Tax, Courthouse Maintenance, Health Unit, Library, Assessor, Law Enforcement, School Parishwide Constitutional Tax, School Parishwide Additional Support, School Parishwide District #5, School Parishwide Special Maintenance.

SOURCE: Livingston Parish Assessor's Grand Recapitulation of the Assessment Roll for the Parish of Livingston.

Schedule 6

<u>Law Enforcement District</u>	<u>Juvenile Detention Center</u>	<u>Total</u>
12.51	-	170.14
12.51	3.00	177.38
12.51	3.00	153.96
12.51	3.00	140.34
12.51	3.00	134.92
12.51	3.00	129.61
12.51	3.00	123.31
12.51	3.00	122.60
12.51	3.00	123.05
12.51	3.00	113.24
\$ 217,264	\$ -	\$3,002,805
262,360	62,916	3,764,886
252,160	60,470	3,149,584
286,272	68,650	3,257,703
298,879	71,674	3,273,516
385,478	92,441	4,045,878
401,102	96,187	4,006,735
407,861	97,808	4,051,183
453,237	108,699	4,512,062
555,392	133,188	5,080,518

CITY OF DENHAM SPRINGS
SPECIAL ASSESSMENT COLLECTIONS

LAST TEN YEARS

<u>Year</u>	<u>Assessments Beginning of Year</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Assessments End of Year</u>
1996	\$ 88,815	\$ -	\$30,511	\$58,304
1997	58,304	-	14,112	44,192
1998	44,192	-	8,525	35,667
1999	35,667	-	8,057	27,610
2000	27,610	-	10,540	17,070
2001	17,070	-	6,830	10,240
2002	10,240	-	3,907	6,333
2003	6,333	-	5,944	389
2004	389	-	389	-
2005	-	-	-	-

¹Lakeland Acres Subdivision Paving Project.

SOURCE: Annual Audited Basic Financial Statements.

CITY OF DENHAM SPRINGS
STATEMENT OF LEGAL DEBT LIMIT

General Bonded Indebtedness

POWER TO INCUR DEBT

Municipal corporations, parishes and school districts, roads, sewerage, waterworks and drainage districts, hospital service districts, fire protection districts, and gas utility districts may incur debt and issue negotiable bonds. (LRS 39:551)

LIMIT OF INDEBTEDNESS

No debt shall be incurred and bonds issued by any local government for any one of the purposes herein provided, which, including the existing bonded debt of such government, shall exceed in the aggregate ten percent of the assessed valuation of the taxable property. However, the governing authority of a municipality may incur debt and issue bonds therefore as provided in this Subsection, for the purpose set forth in Louisiana R.S. 39:553, which may exceed ten percent for any one of such purposes, provided that the aggregate for all of such purposes determined at the time of issuance of the bonds does not exceed thirty-five percent of the assessed valuation of the taxable property of the municipality. (LRS 39:562)

MUNICIPAL PURPOSES

The governing authorities of municipal corporations, including cities, towns and villages, may incur debt and issue bonds of the municipal corporations for the following purposes: opening, constructing, paving and improving streets, sidewalks, roads and alleys; constructing bridges; purchasing or constructing waterworks; sewers and sewerage disposal works; drains, drainage canals, and pumping plants; waste disposal facilities; facilities for pollution control and abatement; light and power plants; gas plants; artificial ice and refrigerating plants; halls; courthouses; jails; public markets and abattoirs; fire department stations and equipment; hospitals; auditoriums; public parks; natatoriums; libraries; school houses; teachers' homes; and other public buildings; docks, wharves, and river terminals; acquiring and/or improving lands for industrial parks, within or without the corporate limits of the municipality; and other works of public improvement as the legislature may expressly authorize. Debt may be incurred and bonds may be issued for the necessary equipment and furnishings for the works, buildings and improvements. (LRS 39:553)

THIS PAGE INTENTIONALLY LEFT BLANK

MAXIMUM DURATION AND INTEREST LIMITATION

No bonds issued shall run for a period longer than forty (40) years, or bear a greater rate of interest than the rate set in the proposition approved at the election or be sold for less than par. (LRS 39:563, 39:1424)

ISSUING BONDS: VOTE BY TAXPAYERS

A majority of all qualified voters voting thereon must vote in favor of the proposition to incur debt and issue bonds. (LRS 39:561)

LEVY OF TAXES

The governing authority shall impose and collect annually in excess of all other taxes, a tax on the property subject to taxation sufficient to pay annual principal and interest on these bonds. (LRS 39:569)

Total Assessed Value of Taxable Property		\$62,106,950
		<hr/>
	10% of <u>Assessed Valuation</u>	35% of <u>Assessed Valuation</u>
Legal Debt Limitation	\$6,210,695	\$21,737,433
	<hr/>	<hr/>

There are no outstanding bonds secured by ad valorem taxes of the City of Denham Springs as of June 30, 2005.

CITY OF DENHAM SPRINGS

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA**

LAST TEN YEARS

<u>Year</u>	<u>Population¹</u>	<u>Assessed Value²</u>	<u>General Obligation Bonded Debt</u>	<u>Less Debt Service Fund³</u>
1996	8,902	27,546,730	\$ -	\$ -
1997	9,011	31,914,520	-	-
1998	9,171	31,439,890	-	-
1999	9,248	34,161,710	-	-
2000	9,175	36,113,430	-	-
2001	8,757	45,968,510	-	-
2002	8,883	47,502,340	-	-
2003	8,977	48,325,460	-	-
2004	9,913	53,467,960	-	-
2005	10,167	62,106,950	-	-

SOURCES: ¹Population of City of Denham Springs obtained from State Treasurer's Office.

²Livingston Parish Assessor's Grand Recapitulation of the Assessment Roll for the Parish of Livingston.

³Amount available in Debt Service Fund for repayment of General Obligation Bonds. Annual Audited Basic Financial Statements.

Schedule 9

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$ -	- %	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

CITY OF DENHAM SPRINGS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL
GOVERNMENTAL EXPENDITURES

LAST TEN YEARS

<u>Year</u>	<u>Principal</u>	<u>Interest¹</u>	<u>Total Debt Service²</u>	<u>Total General Governmental Expenditures³</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1996	\$ -	\$ -	\$ -	\$4,715,110	-%
1997	-	-	-	5,084,763	-
1998	-	-	-	6,079,148	-
1999	-	-	-	5,977,575	-
2000	-	-	-	6,042,546	-
2001	-	-	-	6,186,246	-
2002	-	-	-	6,886,264	-
2003	-	-	-	7,248,180	-
2004	-	-	-	7,673,034	-
2005	-	-	-	7,232,260	-

¹Excludes paying agent fees and other costs.

²Total Debt Service includes general obligation bonds only. (Does not include Special Assessment Certificates of Indebtedness or Revenue Bonds issued by the Utility Enterprise Fund.)

³Expenditures and Other Uses of the General, Special Revenue, and Debt Service Funds, excluding the expenditures of the Special Assessment Debt Service Fund and 1988 Certificates of Indebtedness Debt Service Fund.

SOURCE: Annual Audited Basic Financial Statements.

CITY OF DENHAM SPRINGS

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

JUNE 30, 2005

	<u>Gross Debt Outstanding</u>	<u>Amounts In Debt Service Fund For Principal</u>	<u>Net Debt Outstanding</u>	<u>City of Denham Springs Share of Debt</u> <u>Percent</u>	
<u>GOVERNMENTAL UNIT</u>					
City of Denham Springs	\$ -	\$ -	\$ -	100%	\$ -
<u>OTHER GOVERNMENTAL AGENCIES</u>					
School District #1	\$ 6,190,000	\$ 393,481	\$ 5,796,519	40%	\$ 2,318,608
Jail Bonds	70,000	-	70,000	17%	11,900
Library Bonds	8,900,000	696,331	8,203,669	17%	1,394,624
Recreation District No. 3	<u>1,825,000</u>	<u>369,958</u>	<u>1,455,042</u>	46%	<u>669,319</u>
Total Other Governmental Agencies	<u>16,985,000</u>	<u>1,459,770</u>	<u>15,525,230</u>		<u>4,394,451</u>
Total Direct and Over- lapping Debt	<u>\$16,985,000</u>	<u>\$ 1,459,770</u>	<u>\$15,525,230</u>		<u>\$ 4,394,451</u>
2005 City Population					<u>10,167</u>
Per Capita					<u>\$ 433</u>

CITY OF DENHAM SPRINGS, LOUISIANA
INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
YEAR ENDED JUNE 30, 2005

CITY OF DENHAM SPRINGS, LOUISIANA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	1 - 2
Schedule of Current Year Findings and Questioned Costs.....	3
Schedule of Prior Year Findings and Questioned Costs.....	4

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



Randy J. Bonnezcaze, CPA*
 Joseph D. Richard, Jr., CPA*
 Ronnie E. Stamper, CPA*
 Fernand P. Genre, CPA*
 Stephen M. Huggins, CPA*
 Monica L. Zumo, CPA*
 Ronald L. Gagnet, CPA*
 Douglas J. Nelson, CPA*
 Celeste D. Viator, CPA*
 Russell J. Resweber, CPA*
 Laura E. Monroe, CPA*

1175 Del Este Avenue, Suite B
 Denham Springs, LA 70726
 Phone: (225) 665-8297
 Fax: (225) 667-3813

*Members American Institute of
 Certified Public Accountants*

2322 Tremont Drive, Suite 200
 Baton Rouge, LA 70809

www.htbcpa.com

R. David Wascorn, CPA
 *A Professional Accounting Corporation

October 2, 2005

The Mayor and Members of
 the City Council
 City of Denham Springs Denham Springs, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Denham Springs, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the City of Denham Springs, Louisiana's basic financial statements and have issued our report thereon dated October 2, 2005. We have also audited the financial statements of each of the City's nonmajor governmental funds and internal service fund presented in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Denham Springs in a separate letter dated October 2, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

This report is intended solely for the information of management and the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harold J. Bourgeois, CPA

CITY OF DENHAM SPRINGS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

Current Year Finding:

Internal Control:

None.

Compliance:

2005-1 - Failure to Amend Budget (LSA - R.S. 39:1301):

Finding

During our current year audit, it was noted that in the capital projects fund actual expenditures exceeded the budgeted expenditures by \$36,493 and actual other financing uses exceeded the budgeted amount by \$50,000 which are greater than a 5% variance. State law requires that budgets be amended when actual revenues are less than budgeted revenues or actual expenditures exceed budgeted expenditures and other financing uses exceed budgeted amounts by 5% or more.

Recommendation

We recommend that management more closely monitor the expenditures and other financing uses and amend the budget as necessary to stay below the 5% variance as required by state law.

Management's Response

Management does amend their budgets and makes every effort to comply with all provisions of the Budget Act. The violation cited above was an oversight due to a construction contract being further complete than was projected in the last budget amendment. Management does concur with the finding and will continue to make every effort to comply with all provisions of the Budget Act.

CITY OF DENHAM SPRINGS

SCHEDULE OF PRIOR AUDIT YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2005

Compliance Findings:

None.

Internal Control Finding:

Finding 04 - 1:

During our prior audit we noted instances whereby a required purchase requisition and/or required purchase order were actually dated and signed after the vendor's invoice, thereby, overriding the controls in place to ascertain proper approvals as well as adequate funding available within the budget.

Recommendation

We recommended that the City abide by its code Sec. 2-93 governing all City purchases, payment of invoices, and other financial obligations. Requisitions should be completed, signed, and dated by the department head. The purchasing agent then determines if funds are available and provided for in the budget. Upon approval of the requisitions, a prenumbered purchase order can be completed, signed and dated by the purchasing agent. At that time and only after completion of the required purchase order should a vendor be allowed to complete his assignment and/or the City purchase his materials.

Corrective Action Taken

During our current year testing of a sample of cash disbursements, we noted no exceptions to the City's policy governing cash disbursements.

CITY OF DENHAM SPRINGS, LOUISIANA

MANAGEMENT LETTER

JUNE 30, 2005



Hannis T. Bourgeois, LLP

Certified Public Accountants

Randy J. Bonneau, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
Stephen M. Huggins, CPA*
Monica L. Zumo, CPA*
Ronald L. Gagnet, CPA*
Douglas J. Nelson, CPA*
Celeste D. Viator, CPA*
Russell J. Reswber, CPA*
Laura E. Monroe, CPA*

R. David Wascam, CPA

**A Professional Accounting Corporation*

1175 Del Este Avenue, Suite B
Denham Springs, LA 70726

Phone: (225) 665-8297

Fax: (225) 667-3813

*Members American Institute of
Certified Public Accountants*

2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809

www.htbcpa.com

October 2, 2005

The Mayor and Members of
the City Council
City of Denham Springs
Denham Springs, Louisiana

In planning and performing our audit of the basic financial statements of the City of Denham Springs, Louisiana, for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 2, 2005, on the basic financial statements of the City of Denham Springs, Louisiana.

CURRENT YEAR FINDINGS:

None

PRIOR YEAR FINDINGS:

Finding 04-1:

It was noted that as of June 30, 2004, the balance in the customers' deposit account recorded in the utility fund was approximately \$31,000 more than the balance in the Certificate of Deposit pledged to secure the customers' deposits.

The Mayor and Members of
the City Council
City of Denham Springs
October 2, 2005
Page 2

Recommendation:

We recommended that management increase the Certificate of Deposit balance pledged to cover the balance in the customers' deposit account. Management should also periodically monitor the balance to ensure the customer deposit balances are adequately covered.

Corrective Action Taken:

In the current year, the transfer of monies from unreserved certificate of deposits was done to cover the unsecured differences in customer deposits. Continued monitoring of the customer deposit balance payable is now made month-to-month.

Finding 04-2:

During our prior year testing of accumulated leave and payroll, we noted that some timesheets were not being approved by the supervisors in a timely manner. Examples – Timesheets for the pay periods ended January 25, 2004 and February 8, 2004, were not approved by the Department Heads until April 29, 2004 and overtime approval sheets were not signed until May 19, 2004.

Recommendation:

We recommended that payroll checks not be prepared without all proper authorizations on employee's timesheets and overtime and leave approval forms.

Corrective Action Taken:

Management concurs that timely supervisory approval of timesheets, overtime and leave request is important. Management instructed payroll not to process payroll without proper authorization or as the circumstance presents, as authorized by the Mayor.

Finding 04-3:

During our testing of accumulated leave in the prior year, we noted numerous employees having accumulated leave in excess of the City's policy.

Recommendation:

We recommended the City review its current policy to determine its adequacy and to make changes, if necessary. If the current policy is adequate, the City should take whatever measures are deemed reasonable to comply with its leave policies.

The Mayor and Members of
the City Council
City of Denham Springs
October 2, 2005
Page 3

Corrective Action Taken:

Proper notification was given to all employees by a letter dated October 21, 2004 notifying all employees as acknowledged by their signature and placed in their employee files, that effective July 1, 2005, all excess vacation leave will be transferred to extended illness. Also, a reminder was given that all excess compensatory time will be paid as overtime.

Finding 04-4:

Total salaries for the year ended June 30, 2004 approximate \$5,125,000 while employee payroll taxes, group insurance costs, and retirement costs approximate \$1,525,000 for a total salary and benefits cost of approximately \$6,650,000. This represents approximately 50% of the total expenditures of the City of Denham Springs.

Recommendation:

Because the City has begun to struggle in the past several years to balance the budget in the General Fund and to substantially reduce the operating deficits currently being recorded in the Utility Fund, we recommended that the City make a complete evaluation of all employees employed as well as all benefits being paid. We also recommended the City evaluate their payroll policies as they relate to overtime and leave. We understand that no change may be warranted, but management should investigate any possibility to reduce costs.

We commend the City for beginning to investigate Utility rate increases. We understand this is never an easy decision, but the fact the City has not had a rate change in numerous years, and all costs to operate your systems continue to rise, you need to seriously consider rate changes within each utility system.

Corrective Action Taken:

Management, during its budgeting process for the fiscal year 2004-2005, began to address payroll. Management lay off commenced July 1, 2004 with three employees within the Utility Departments (one in the Water Department/two in Sewer Department). The retirement of a Police Communication Supervisor will not be filled. The departure of six Police Communication personnel occurred with the opening of the 911 Center in Satsuma, Louisiana on January 24, 2005. These positions were not filled. The retirement of a Police Lieutenant position was replaced by the hiring of another Police Officer. The Police Lieutenant position remains unfilled for the 2005 fiscal year. Management continues to evaluate each new vacant position as to need for refilling. As a result of these actions overall salary expense decreased by approximately \$106,000 for the year ended June 30, 2005.

The Mayor and Members of
the City Council
City of Denham Springs
October 2, 2005
Page 4

Additional Recommendation:

We commend management in its positive actions to reduce salary expenses. We recommend management continue its on-going evaluation of the need to fill positions as they become vacant.

We also recommend management continue to explore the possibility of a utility rate increase as the City has not had a rate change for numerous years and cots to operate the system continue to rise.

Finding 00-1:

It was noted in the prior years and again in the current year that although the majority of the accounting cycles have been documented, there is a lack of written policies and procedures in the various cycles comprising the City's accounting/finance function. Written policies and procedures are essential to a strong internal control system and accounting department.

Recommendation:

We again recommend the City complete the task of evaluating the various cycles and developing written policies and procedures for each cycle.

Management's Response:

All accounting cycles except for Personnel have been documented. Personnel has started documenting its accounting cycles. The next step is to combine all the documented accounting cycles into one policy and procedures manual. The completed policy and procedures manual will be reviewed and updated periodically as needed.

Corrective Action Taken:

Management is continuing the documentation of its accounting cycles with the personnel and purchasing remaining to be completed. Management informed us the personnel manual was delayed due the hiring of a new personnel director and recommendations from legal counsel for changes. Once the personnel and purchasing procedures are completed, management is planning on combining all procedures within the accounting cycle into one manual.

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

The Mayor and Members of
the City Council
City of Denham Springs
October 2, 2005
Page 5

Our consideration of the internal control structure would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the conditions described above is believed to be a material weakness.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Treasurer and Finance Committee, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended for the use of management, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Denham Springs, Louisiana, is a matter of public record.

Respectfully submitted,

Henri J. Bougeois, CPA