

City of Alexandria Financial Report

Alexandria, LA
April 30, 2008



Payne, Moore & Herrington, LLP
Certified Public Accountants
Alexandria, LA

City of Alexandria, Louisiana
April 30, 2008

Table of Contents

| | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| Financial Section | | |
| Independent Auditor's Report..... | | 1-2 |
| Required Supplemental Information - Part I | | |
| Management's Discussion and Analysis..... | | 3-15 |
| Basic Financial Statements | | 16 |
| Government-Wide Financial Statements (GWFS) | | 17 |
| Statement of Net Assets..... | A | 18 |
| Statement of Activities..... | B | 19 |
| Fund Financial Statements | | 20 |
| Balance Sheet - Governmental Funds..... | C | 21 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets..... | D | 22 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds..... | E | 23 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | F | 24 |
| Statement of Net Assets - Proprietary Funds..... | G | 25 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds..... | H | 26 |
| Reconciliation of Change in Net Assets for Enterprise Funds Reported in the Statement of Revenues, Expenses, and Changes in Net Assets to Net Assets for Business-Type Activities Reported in the Statement of Activities..... | I | 27 |
| Statement of Cash Flows - Proprietary Funds..... | J | 28-29 |
| Statement of Fiduciary Net Assets - Fiduciary Funds..... | K | 30 |
| Statement of Changes in Fiduciary Net Assets - Fiduciary Funds..... | L | 31 |
| Notes to Financial Statements | | 32-68 |

City of Alexandria, Louisiana
April 30, 2008

Table of Contents

| | <u>Schedule</u> | <u>Page</u> |
|---|-----------------|-------------|
| Required Supplemental Information - Part II | | 69 |
| General Fund - Budgetary Comparison Schedule | 1 | 70 |
| City Sales Tax Special Revenue Fund - Budgetary Comparison Schedule | 2 | 71 |
| Supplemental Information | | 72 |
| Schedule of Expenditures of Federal Awards | 3 | 73 |
| Utilities System Enterprise Fund - Unaudited Summary of Utility Service Customers | 4 | 74 |
| Unaudited Listing of Insurance in Force | 5 | 75-76 |
| Other Reports Required By <i>Government Auditing Standards</i> and OMB Circular A-133 | | 77 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 78-80 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | | 81-83 |
| Schedule of Findings and Questioned Costs | | 84-90 |
| Other Comments and Recommendations | | 91-94 |
| Special Letter | | |
| Re: Resolution Number 2341-1982 Requirement of Specific Recommendations | | 95-96 |
| Management's Corrective Action Plan | | 97-100 |
| Management's Schedule of Prior Year Findings | | 101-102 |



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
Established 1945

Independent Auditor's Report

The Honorable Mayor and City Council
City of Alexandria, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Alexandria, Louisiana, as of and for the year ended April 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Alexandria's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Louisiana, as of April 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2008, on our consideration of the internal control over financial reporting of the City of Alexandria, Louisiana, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

MARVIN A. JONIAU, C.P.A. ROBERT W. DYORAK, C.P.A. JAMES K. BALLARD, C.P.A.
ERNEST F. SASSER, C.P.A. REBECCA B. MORRIS, C.P.A. CINDY L. HOMPRIES, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council
City of Alexandria, Louisiana

The management's discussion and analysis and budgetary comparison information presented on pages 3 through 15 and 70 through 71 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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


Certified Public Accountants

November 10, 2008

**Required Supplemental Information –
Part I**

Management's Discussion and Analysis

**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

Our discussion and analysis of the City of Alexandria's financial performance provide an overview of the City's financial activities for the fiscal year ended April 30, 2008. Please read it in conjunction with the City's financial statements, which begin on page 17.

Financial Highlights

- The City's assets exceeded liabilities by \$272.9 million. Of this total, \$10.7 million in net assets are unrestricted, and may be used to meet future obligations of the City's creditors.
- The City's net assets increased by \$12.0 million during the 2008 Fiscal Year. This is the result of an increase of \$12.0 million in net assets from governmental activities and decrease of less than \$.1 million in net assets from business activities.
- Unrestricted net assets decreased \$5.3 million in Fiscal 2008. This is the net result of a decrease of \$3.0 from governmental activities and a decrease of \$2.3 million from business type activities.
- Unrestricted fund balance in the General Fund is \$17.7 million, which amounts to approximately 35% of the expenditures of the General Fund in Fiscal 2008.
- The City's long-term debt decreased by \$6.4 million, due to scheduled payments on bonds.

Overview of the Financial Statements

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

Reporting on the City as a Whole

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

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

**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 20 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- **Governmental funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following these fund financial statements.

Proprietary funds - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, such as the City's Risk Management.

**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

Government Wide Financial Analysis

The following table reflects a condensed version of the Statement of Net Assets displaying 2007 and 2008:

**City of Alexandria, LA
Condensed Statement of Net Assets (in millions)
April 30, 2007 and April 30, 2008**

| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Governmental | | Business | | Total | |
| Assets | | | | | | |
| Current & Other Assets | 67.2 | 67.3 | 21.8 | 18.2 | 89.0 | 85.5 |
| Restricted Assets | 0 | 0 | 27.5 | 28.1 | 27.5 | 28.1 |
| Capital Assets | 137.4 | 146.7 | 113.8 | 114.1 | 251.2 | 260.8 |
| Total Assets | 204.6 | 214.0 | 163.1 | 160.4 | 367.7 | 374.4 |
| Liabilities | | | | | | |
| Current Liabilities | 10.5 | 9.6 | 10.2 | 11.8 | 20.7 | 21.4 |
| Long Term Liabilities | 39.2 | 37.5 | 46.9 | 42.7 | 86.1 | 80.2 |
| Total Liabilities | 49.7 | 47.1 | 57.1 | 54.5 | 106.8 | 101.6 |
| Net Assets | | | | | | |
| Invested in Capital Assets (Net) | 119.5 | 128.7 | 79.2 | 82.5 | 198.7 | 211.2 |
| Restricted | 29.9 | 35.8 | 16.2 | 15.2 | 46.1 | 51.0 |
| Unrestricted | 5.6 | 2.5 | 10.5 | 8.2 | 16.1 | 10.7 |
| Total Net Assets | 155.0 | 167.0 | 105.9 | 105.9 | 260.9 | 272.9 |

As of April 30, 2008, the City's net assets total \$272.9 million, showing an increase of about 5% over the 2007 total of \$260.9 million. Roughly 77% of the City's total net assets reside in the Capital Assets category. These are land, buildings, infrastructure, equipment and other items required for the City to furnish its goods and services to citizens on the governmental side of operations and customers on the business side of operations. These assets are not available for appropriation (spending), as they are not intended to be sold. Restricted assets account for \$51.0 million, or 19%, of the total. Restrictions are placed by entities outside the City government, such as bondholders. These assets are also not available for appropriation. The remaining \$10.7 million, or 4%, of net assets is unrestricted and is available for appropriation.

**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

The following table is a condensed version of the Statement of Activities displaying 2007 and 2008:

**City of Alexandria, LA
Condensed Statement of Activities (In Millions)
April 30, 2007 and April 30, 2008**

| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 |
|--|--------------|-------------|--------------|--------------|--------------|--------------|
| | Governmental | | Business | | Total | |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services, Fines, Fees | 4.8 | 4.4 | 107.7 | 107.5 | 112.5 | 111.9 |
| Grants & Contributions | 6.8 | 7.5 | 2.8 | 1.0 | 9.6 | 8.5 |
| General Revenues: | | | | | 0.0 | 0.0 |
| Sales Taxes | 41.3 | 42.0 | | | 41.3 | 42.0 |
| Other Taxes | 6.5 | 6.9 | | | 6.5 | 6.9 |
| Other | 3.4 | 3.3 | 1.5 | 1.5 | 4.9 | 4.8 |
| Total Revenues | 62.8 | 64.1 | 112.0 | 110.0 | 174.8 | 174.1 |
| Expenses | | | | | | |
| General government | 12.8 | 14.5 | | | 12.8 | 14.5 |
| Public safety | 25.6 | 27.2 | | | 25.6 | 27.2 |
| Public works | 14.5 | 15.0 | | | 14.5 | 15.0 |
| Community and economic development | 1.4 | 1.1 | | | 1.4 | 1.1 |
| Interest on long-term debt | 1.7 | 1.6 | 2.2 | 1.9 | 3.9 | 3.5 |
| Electricity | | | 55.4 | 60.2 | 55.4 | 60.2 |
| Gas | | | 20.0 | 18.3 | 20.0 | 18.3 |
| Water | | | 4.6 | 6.9 | 4.6 | 6.9 |
| Wastewater | | | 7.9 | 8.1 | 7.9 | 8.1 |
| Transit | | | 3.0 | 3.2 | 3.0 | 3.2 |
| Sanitation | | | 3.8 | 4.0 | 3.8 | 4.0 |
| Zoological Park | | | 2.1 | 2.2 | 2.1 | 2.2 |
| Golf Course | | | 1.3 | 1.0 | 1.3 | 1.0 |
| Total Expenses | 56.0 | 59.4 | 100.3 | 105.8 | 156.3 | 165.2 |
| Change in Net Assets before Transfers | 6.8 | 4.7 | 11.7 | 4.2 | 18.5 | 8.9 |
| Transfers | 3.7 | 4.3 | -3.7 | -4.3 | 0.0 | 0.0 |
| Increase (Decrease) in Net Assets | 10.5 | 9.0 | 8.0 | -.1 | 18.5 | 8.9 |

**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

The City's total revenues were \$174.1 million and total expenses were \$165.2 million for Fiscal 2008. This results in an increase of net assets before transfers of \$8.9 million. This can be broken down first by governmental and business activities, then broken down further at the fund level.

Net Assets in Governmental Activities increased by \$9.0 million for Fiscal 2008, opposed to an increase of \$10.5 million in 2007. Examining the expenses for the 2 years, we see that they are up from \$56.0 million in 2007 to \$59.4 million in 2008, slightly more than a 6% difference. We see an increase of \$1.6 million in Public Safety, an increase of \$1.7 million in General Government and a \$.5 million increase in General Government. These are somewhat offset by decreases in Community Development and Interest on Long Term Debt totaling \$.4 million. Revenues are up \$1.3 million, not showing as great an increase as expenses. Sales Taxes, along with Grants and Contributions are up \$.7 million each accounting more most of the increase. Lesser changes in the remaining revenue categories make up the remaining difference. Increases in expenses can be deceptive in that Capital Projects Funds can raise or lower them in a given year depending on the progress of active construction projects. It should be noted that the combined expenses for these funds are up \$4 million from the prior year, while grants relating to these projects are up \$1.6 million over the prior year.

Business-type Activities net assets decreased \$.1 million for Fiscal 2008, compared to the increase in the prior year of \$8 million. Expenses are up from \$100.3 million in 2007 to \$105.8 million in 2008, an increase of over 5%. This increase is largely due to Electric Fuel Cost, the City's cost for purchasing electricity for sale to customers, which rose over the prior year by \$4.3 million. Other major changes in expenses include an increase of \$2.3 million in Water partially offset by a decrease of \$1.7 million in Gas. Other minor changes round out the difference in expenses. Transfers to the Governmental Activities are down \$2.5 million. Revenues are actually down from \$112.0 million in 2007 to \$110.0 in 2008. The largest categorical change is in Grants, showing a decrease of \$1.7 million attributable to Federal Grants for the Transit System being down from prior year. The largest category, Charges for Services, is virtually the same showing \$107.7 million in 2007 and \$107.5 million in 2008. This is largely due to the recovery side of the previously mentioned Electric Fuel Cost. The City was rebating on its annual fuel adjustment in 2008, meaning reducing the current fuel cost as an adjustment for prior fuel cost. In the long run, the City's costs for Electric and Gas fuel are passed on to the customers and have no effect on the City's finances. In the short run, however, the City can be either recovering costs or rebating costs depending on which way fuel prices are going. The revenue of Electric Fuel Cost is down \$2.6 million in 2008 compared to the prior year, while as previously mentioned the expense is up \$4.3 million in 2008.

Individual Fund Analysis

We will briefly analyze the activity and fund balances of the major funds of the Governmental Funds category and the Business (Proprietary) Funds category, beginning with the General Fund. Differences are rounded to the nearest tenth of \$1 million for ease of discussion.

Governmental Funds

General Fund

The General Fund ended Fiscal 2008 with a decrease in Unreserved Fund Balance of about \$.6 million. In short, the General Fund spent more than it took in by this amount. There was an increase in Unrestricted Fund Balance for Fiscal 2007 of \$3 million. In order to see the change, a comparison of revenues and expenditures of Fiscal 2007 and 2008 is needed.

**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

Revenues and Transfers In increased by \$.1 million over the previous year, a virtual standstill. There were no significant changes in any revenue category or in Transfers In.

Expenditures and Transfers Out increased \$3.8 million when compared to the previous year. This is due to a variety of factors. A 2% raise was granted to current employees, along with a new pay matrix for Police and Fire contributed to labor costs increasing by \$1.8 over the previous year. Operating Capital (purchases of vehicles, equipment, etc.) is up by \$.4 million in Fiscal 2008. Transfers Out are actually down \$.3 million from the previous year as the General Fund decreased its support of other funds such as Sanitation, Zoo, and Golf Course as the revenues these funds generate are not sufficient to pay their costs. Other noteworthy increases include \$.4 million in Public Works Building Maintenance mostly for utilities and building repairs, \$.4 million in Public Works Street Maintenance for operating, mosquito control, and vehicle costs, \$.4 million in Police mostly from prisoner detention, vehicle costs, and crisis intervention (state grant).

General Fund Budgetary Highlights

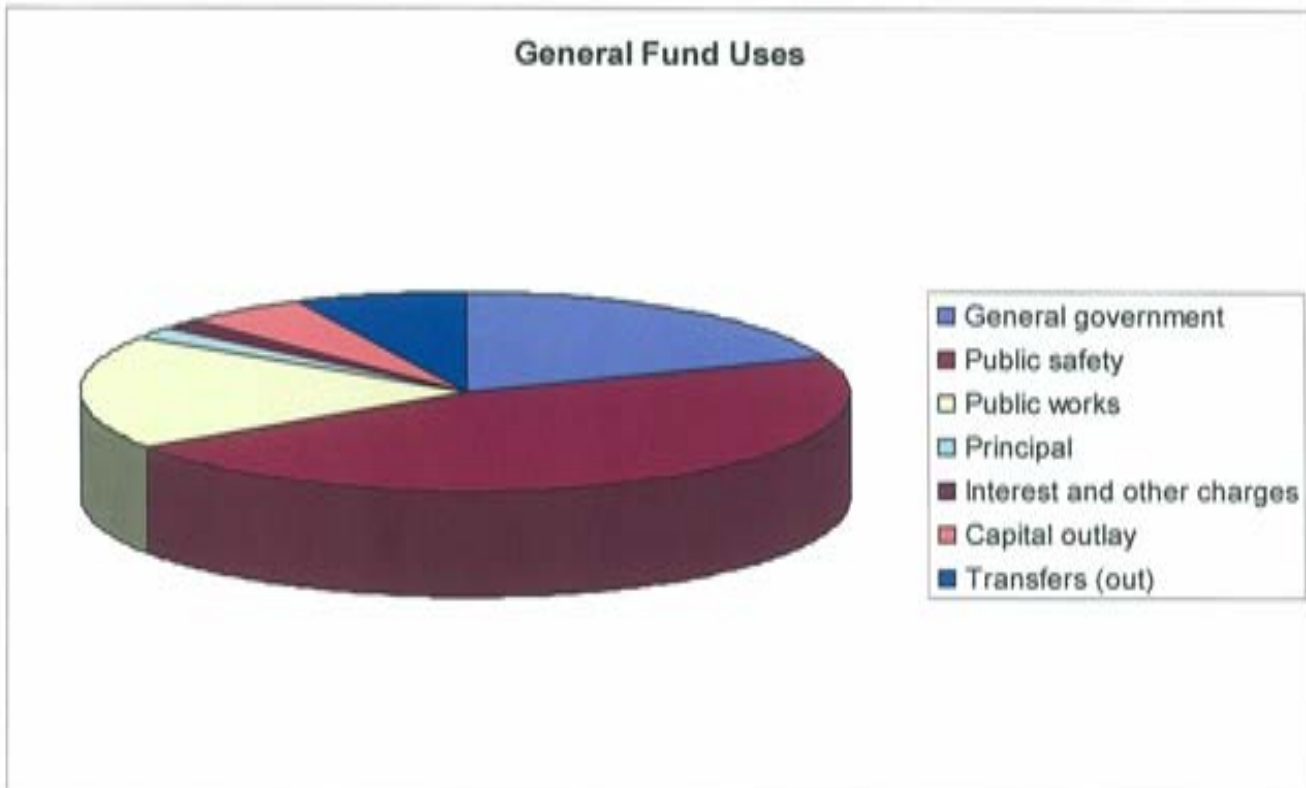
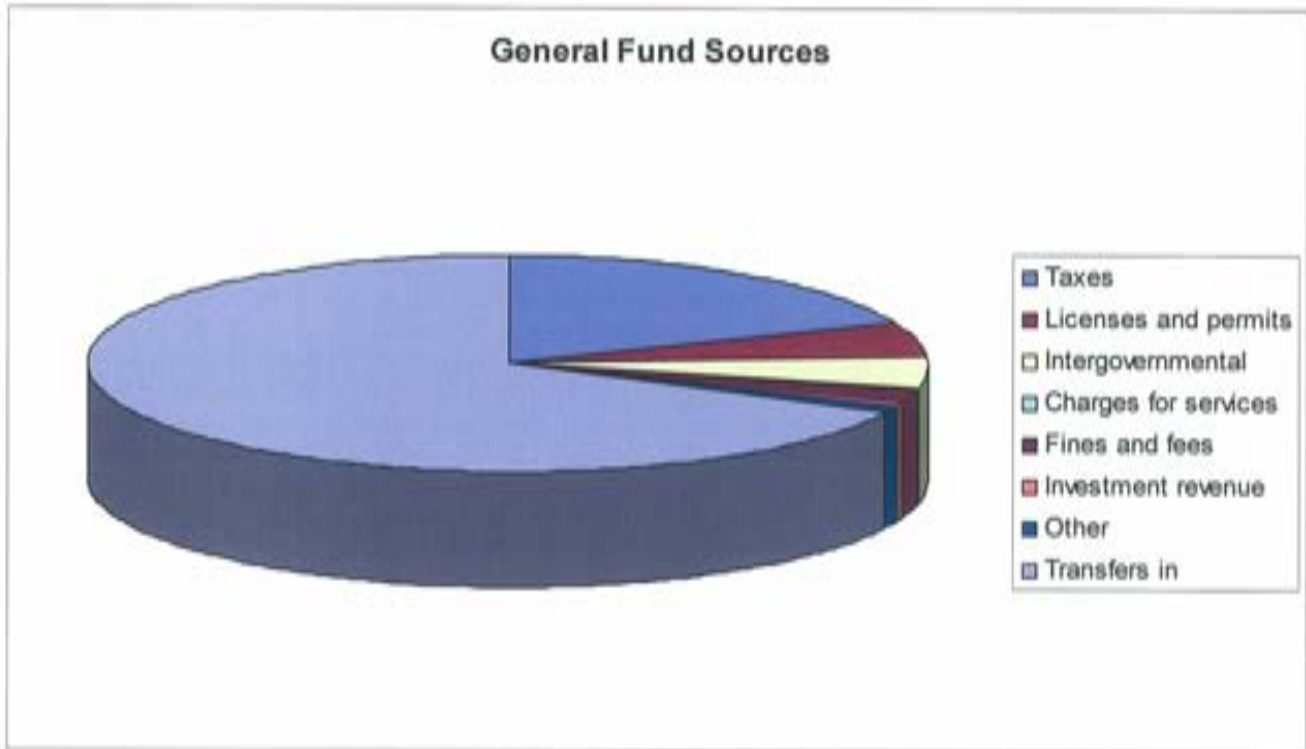
The original budget of the General Fund reflects the City's plan and financial intent at the beginning of the fiscal year. This is routinely adjusted during the year to better reflect actual revenues available and actual expenditures incurred. The City does its most comprehensive adjustment at Major Budget Amendment (MBA). Revenues and Transfers In were adjusted resulting in a net increase of slightly less than \$6.1 million (13.06%). The Parish Sales Tax was adjusted up by \$.7 million; while Licenses and Permits were adjusted up \$.3 million. Interest Revenues were adjusted up \$.4 million. Transfers In was also a major factor, with increases for the City Sales Taxes totaling \$2 million while Transfers from the Utilities System Fund increased \$1.2 million. Other increases in Transfers In totaled \$.5 million. The City originally budgeted \$6.5 million in use of fund balance. This was adjusted down by a net of \$2.6 million as estimated Revenues and Transfers In were increased.

Budgeted Expenditures and Transfers Out were adjusted up during the year by \$3.5 million due to a variety of factors. During 2008, Transfers Out were increased for \$.5 million to the Sanitation, Golf Course and Zoo Funds to assist with deficits in those funds. The Business Office Department was transferred from the Utilities System Fund to the General Fund to more appropriately reflect its mission, adding roughly \$.3 million in budgeted expenditures. Overtime and Contract Labor were increased by roughly \$1.6 million during the year, although this was partially offset by decreases in salary line items caused by the City having problems filling vacant jobs. Capital Outlay was increased \$.4 million. Other adjustments were made for Vehicle Maintenance and Fuel, along with Utilities.

Fortunately, the City did not actually use \$3.9 million in fund balance budgeted for Fiscal 2008, but as previously noted did use roughly \$.6 million. Actual revenues and transfers in exceeded budgeted figures by \$.7 million, and actual expenditures were \$2.6 million less than budgeted expenditures. There was various offsets in the revenues, but the greatest factors were the Parish Sales Tax coming in at \$.5 million below the budgeted figure; while the Cost Allocations, i.e. reimbursements from other funds for services rendered by the General Fund, came in at \$.6 million below budget. However, the combined City Sales Tax Transfers In exceeded the budgeted amounts by \$.8 million, and Police and Fire Supplemental pay from the State exceeded the budget by \$.3 million, as did Licenses and Permits, more than offsetting the unfavorable variances. The greatest factor in the expenditures coming in so much lower than budgeted is attrition; i.e., vacant employee positions during the year that were budgeted but had no employees to be paid from them. The combined salary and fringes for these vacancies translated to roughly \$1.7 million in reduced expenditures, even after adjusting budgets down at Major Budget Amendment. Capital outlay ordered but not received by the end of the fiscal year amounted to about \$.6 million, these expenditures will appear in Fiscal 2009. Reductions in discretionary spending by the departments account for the remainder of the difference in General Fund Expenditures.

**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

The following charts represent the actual sources and uses of General Fund monies for Fiscal 2008:



**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

City Sales Tax Fund

The City Sales Tax Fund showed an increase of \$.9 million in revenues and \$.9 million in Transfers Out over the previous year. This fund is a "flow through" of three sales taxes passed by the voters of the City. The City Sales Tax Fund receives the money from these sales taxes and transfers it to other funds. Half of the 1976 Sales Tax is transferred to the General Fund, while the remaining half is transferred to General Capital Projects Fund after Debt Service (payment on borrowing) is satisfied. The 1998 Sales Tax and the 2005 Sales Tax are transferred exclusively to the General Fund. The city sales taxes are a major source of revenue for the General Fund and the only perpetual source of revenue for the General Capital Projects Fund.

General Capital Projects Fund

Revenues and Transfers In are down approximately \$1.8 million in the General Capital Projects Fund as reported last year. As mentioned earlier, the only perpetual source of revenue for the General Capital Projects Fund is its share of the 1976 Sales Tax. However, it can receive substantial revenues from time to time from state, federal, and private sources to fund specific capital projects. Such revenues are down \$1.7 million in 2008 compared to the prior year with the near completion of 2 major projects with state funding; Broadway Avenue Bridge and AUMP Third Street, and the sale of a portion of a street to Rapides Regional Medical Center in the prior year. The \$1 million in proceeds was receipted in this fund. Modest changes in Interest Revenue and Transfers In account for the remainder.

Expenditures for Fiscal 2008 are \$.8 million above the previous year. Expenditures can vary greatly over two consecutive years in a capital projects fund depending on how far along individual large projects are. Once a project is designed and construction begins, funds can be expended in a relatively short time.

Overall fund balance increased \$1.5 million in 2008.

Business Funds

Utilities System Fund

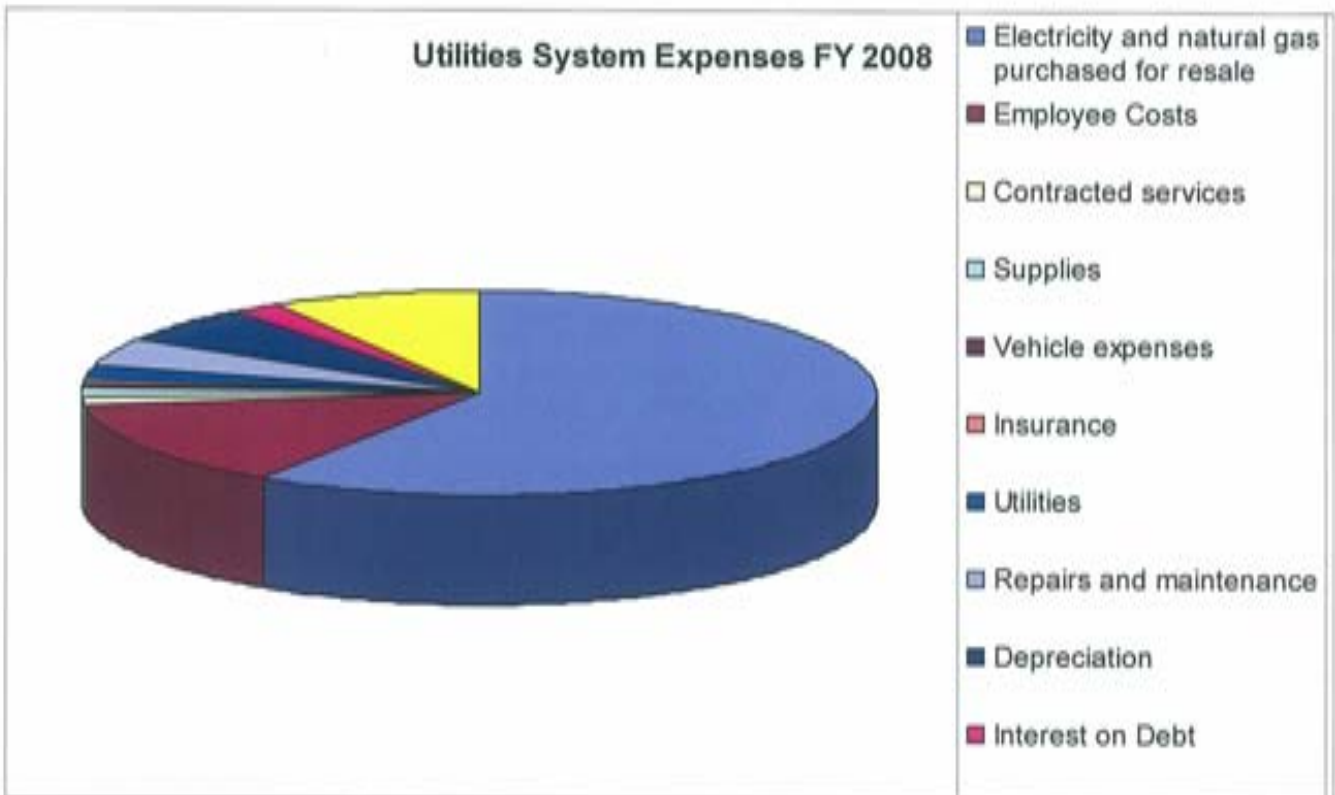
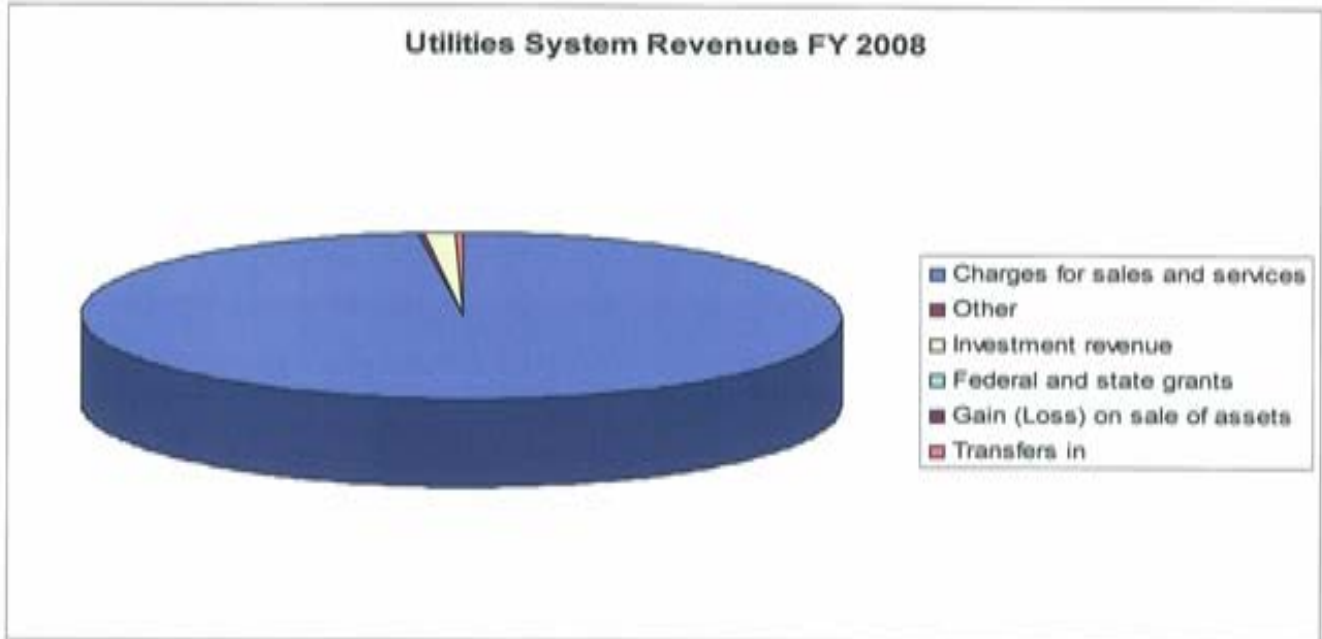
The Utilities System Fund is the largest of the City's proprietary funds, dwarfing the Sanitation Fund and Municipal Transit Fund, as well as the recently created Zoo Fund and Golf Course Fund. Revenues in the Utilities System are based on the sales of electricity, water, natural gas, and wastewater service to customers. These revenues, charges for services, are actually down \$.5 million in 2008 compared to the prior year. This is partly due to fuel cost recovery. The City does not benefit from fuel cost because that is simply the passing on of costs incurred by the City to its customers, but the incurring and subsequent recovery of these costs can cause considerable fluctuations in the revenue and expense of the System. Electric and Gas fuel recovery accounts are down a combined \$2.6 million in Fiscal 2008 compared to 2007 due to the City making a substantial recovery of fuel cost in the current year. This is partially offset by increases in sales of \$1.3 million primarily in Electricity, with Water, Gas, and Wastewater Sales remaining relatively flat.

Operating expenses are up \$6.1 million in Fiscal 2008 compared to Fiscal 2007. The biggest factor here is the expense side of fuel cost, up \$4.9 million compared to prior year. Personnel costs rose by \$.2 million reflecting the raise given during Fiscal 2008. Transfers Out are substantially the same.

**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

The results of the above were a net loss to the Utilities System Fund of \$.2 million for Fiscal 2008. This is reflected as a decrease in total net assets.

The following charts show the breakdown of revenues and expenses of the Utilities System Fund for Fiscal 2008:



**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

Capital Asset and Debt Administration

Capital Assets

Governmental Funds

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

Business Type Funds

The Business-type funds showed a net increase of about \$1.5 million in capital assets this year. These would include vehicles and equipment as well as infrastructure assets. Infrastructure in the Utilities System consists of electrical substations, gas mains, wastewater lift stations, water tanks and other assets that enable the System to deliver service to its customers. These assets are listed net of depreciation. Depreciation is deducted from original cost to indicate the degree that the assets are "used up". Further information on Fixed Assets and Depreciation can be found in Note 6 of the financial statements.

Capital Assets (Net of Depreciation)

| | <u>Governmental</u> | | <u>Business</u> | |
|---------------------------|---------------------|--------------------|--------------------|--------------------|
| | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> |
| Land | 10,422,863 | 10,786,505 | 2,372,646 | 2,660,646 |
| Construction in Progress | 10,595,188 | 18,380,266 | 6,943,601 | 8,512,569 |
| Buildings | 68,061,716 | 65,829,779 | 3,364,703 | 3,239,219 |
| Furniture & Fixtures | 117,888 | 108,493 | 780,956 | 703,705 |
| Equipment | 3,243,308 | 3,409,202 | | |
| Vehicles | 3,130,798 | 3,287,363 | 4,401,199 | 4,571,205 |
| Infrastructure | 44,965,565 | 44,895,249 | 95,962,891 | 94,453,825 |
| Net Capital Assets | 140,537,326 | 146,696,856 | 113,825,996 | 114,141,168 |

In governmental activities, we see that Construction in Progress went up \$7.8 million in 2008. This reflects completion of projects such as Windermere Drainage, North Third Street Pump Station, Acadian Ditch Closure, and Empire Drainage Improvements. These are more than offset by increases for continuing projects such as Heyman Lane, Cloverleaf Boulevard, and the Extension of Versailles Boulevard. Buildings are down \$2.2 million primarily reflecting depreciation as there were no significant additions or retirements of buildings.

In business activities, Construction in Progress is up by \$1.6 million due to continuing projects such as the Highway 28 West Pump Station and Sewer Improvements. Infrastructure is down \$1.5 million due to depreciation exceeding additions.

**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

Debt Administration

Governmental Funds

The City issued no new Governmental debt during 2008. The changes in debt balance merely reflect payments made on the principal.

Enterprise Funds

The City issued no new debt in the Utilities System during 2008. The changes in debt balance merely reflect payments made on the principal. For further information on debt, please see Note 10 to the financial statements.

Bonded Long-Term Debt

| | <u>Governmental</u> | | <u>Business</u> | |
|---------------------------------|---------------------|----------------|-----------------|----------------|
| | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> |
| Sales Tax Revenue Bonds | 14,855,000 | 13,715,000 | | |
| Ad Valorem Tax Bonds | 4,700,000 | 4,260,000 | | |
| Certificates of Indebtedness | 16,075,000 | 15,200,000 | 1,095,000 | 950,000 |
| Utility Revenue Bonds | | | 45,230,000 | 41,345,000 |
| Total Outstanding Debt | 35,630,000 | 33,175,000 | 46,325,000 | 42,295,000 |

Future Outlook

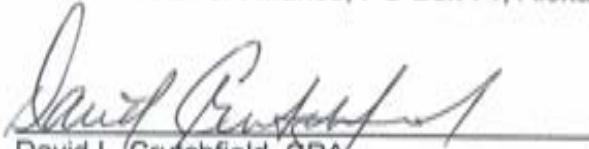
Economic times have been less than favorable in the last quarter of calendar 2008. This could adversely affect the City in a multitude of ways. Sales taxes accounted for 66% of General Fund revenues in 2008. These taxes are very elastic, meaning they rise and fall quickly with changes in the economy. Typically, economic downturns as we are seeing cause rapid decreases in Sales tax collections in State and local government as people have less to spend. Falling earnings in investments also translate to less interest revenue in all of the City's funds, and can mean less earnings for the pension systems that the City contributes to on the behalf of its employees. Reduced earnings for the pension systems could raise the City's contribution rate to these systems. This situation will require diligent monitoring and conservative spending on the City's part.

In business type activities, the Utilities System Fund shows a small net loss for the first time in three years. As noted previously, this is largely due to the "swings" in timing of the fuel cost expense and the subsequent recovery. The fuel cost revenue was down \$2.7 million while the expense was up \$4.9 million. While this difference should self correct in the long run, it can wreak havoc with the Utilities System Fund's profitability in the short run due to the proportional size of fuel cost. The combined fuel cost for electricity and gas amounted to 59.5% of expenses and transfers out for Fiscal 2008.

**City of Alexandria, Louisiana
Management's Discussion and Analysis
Year ended April 30, 2008**

Contacting the Finance Division of the City

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



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

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Basic Financial Statements

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

**City of Alexandria
Alexandria, Louisiana
Statement of Net Assets
April 30, 2008**

Exhibit A

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|----------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents | \$ 5,396,775 | \$ 6,193,053 | \$ 11,589,828 | \$ 880,074 |
| Investments | 932,426 | - | 932,426 | 698,004 |
| Equity in pooled cash and investments | 49,730,690 | 1,341,654 | 51,072,344 | - |
| Receivables | 5,351,578 | 12,946,330 | 18,297,908 | 50,421 |
| Internal balances | 5,632,238 | (5,632,238) | - | - |
| Inventories | 222,195 | 2,896,820 | 3,119,015 | - |
| Restricted equity in pooled cash and investments | - | 28,055,930 | 28,055,930 | - |
| Prepaid expenses/other assets | 113,180 | - | 113,180 | 1,868 |
| Deferred bond issue costs | - | 468,761 | 468,761 | - |
| Capital assets, net of depreciation | | | | |
| Nondepreciable | | | | |
| Land and improvements | 10,786,505 | 2,660,646 | 13,447,151 | - |
| Construction in progress | - | 8,512,569 | 8,512,569 | - |
| Infrastructure in progress | 18,380,266 | - | 18,380,266 | - |
| Depreciable | | | | |
| Infrastructure | 44,895,249 | - | 44,895,249 | - |
| Other capital assets | 72,634,836 | 102,967,953 | 175,602,789 | 133,219 |
| Total Assets | 214,075,938 | 160,411,478 | 374,487,416 | 1,763,586 |
| Liabilities | | | | |
| Bank overdraft | 273,551 | 4,451 | 278,002 | - |
| Equity in pooled cash overdraft | - | 1,298,241 | 1,298,241 | - |
| Accounts and contracts payable | 2,282,773 | 4,333,761 | 6,616,534 | 6,739 |
| Accrued interest | 543,646 | 898,385 | 1,442,031 | - |
| Salaries payable | 995,785 | 603,951 | 1,599,736 | - |
| Long-term liabilities | | | | |
| Due within one year | | | | |
| Bonds, capital leases and other | 1,965,000 | 4,435,000 | 6,400,000 | - |
| Compensated absences | 471,492 | 210,102 | 681,594 | - |
| Claims and judgments | 3,067,366 | - | 3,067,366 | - |
| Due in more than one year | | | | |
| Bonds, capital leases and other | 31,210,000 | 37,399,769 | 68,609,769 | - |
| Customer guaranteed deposits | - | 4,104,554 | 4,104,554 | - |
| Compensated absences | 2,512,602 | 1,190,582 | 3,703,184 | - |
| Post employment benefit obligation | 523,223 | - | 523,223 | - |
| Claims and judgments | 3,245,000 | - | 3,245,000 | - |
| Total Liabilities | 47,090,438 | 54,478,796 | 101,569,234 | 6,739 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 128,721,856 | 82,465,227 | 211,187,083 | 133,219 |
| Restricted for | | | | |
| Capital projects | 32,801,011 | 10,747,056 | 43,548,069 | - |
| Debt service | 1,708,334 | 3,488,000 | 5,196,334 | - |
| Capital additions and contingencies | - | 1,000,000 | 1,000,000 | - |
| Community and economic development | 689,093 | - | 689,093 | - |
| Riverfront Center operations | 559,275 | - | 559,275 | - |
| Unrestricted | 2,505,931 | 8,232,397 | 10,738,328 | 1,623,628 |
| Total Net Assets | \$ 166,985,500 | \$ 105,932,682 | \$ 272,918,182 | \$ 1,756,847 |

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

City of Alexandria
Alexandria, Louisiana
Statement of Activities
For the Year Ended April 30, 2008

Exhibit B

| Functions/Programs | Net (Expense) Revenue and Changes in Net Assets | | | | |
|--|---|----------------------|------------------------------------|----------------------------------|-----------------|
| | Program Revenue | | | Primary Government | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Component Units |
| Primary government | | | | | |
| Governmental activities | | | | | |
| General government | \$ 14,476,231 | \$ 4,220,244 | \$ 302,357 | \$ - | \$ (9,953,630) |
| Public safety | 27,185,174 | 15,871 | 1,829,957 | - | (25,349,336) |
| Public works | 15,062,196 | 183,719 | 271,350 | 4,015,438 | (10,591,679) |
| Community and economic development | 1,050,830 | 12,647 | 1,038,650 | - | 487 |
| Interest on long-term debt | 1,622,725 | - | - | - | (1,622,725) |
| Total Governmental Activities | \$ 59,407,146 | \$ 4,432,481 | \$ 3,442,314 | \$ 4,015,438 | \$ (47,516,903) |
| Business-type activities | | | | | |
| Electricity | 60,156,958 | 76,387,242 | 465 | - | 16,237,749 |
| Natural gas | 18,276,001 | 15,203,183 | - | - | (3,072,818) |
| Water | 6,866,245 | 6,373,069 | - | - | (493,146) |
| Waste water | 8,114,483 | 4,480,241 | - | - | (3,634,242) |
| Municipal transit | 3,145,016 | 388,334 | 793,161 | - | (1,964,521) |
| Sanitation | 4,032,599 | 3,728,641 | - | - | (303,958) |
| Zoological park | 2,254,676 | 230,862 | 175,000 | 18,006 | (1,810,808) |
| Golf course | 1,000,365 | 658,582 | - | - | (341,783) |
| Interest on long-term debt | 1,928,015 | - | - | - | (1,928,015) |
| Total Business-Type Activities | \$ 105,781,348 | \$ 107,467,184 | \$ 968,626 | \$ 18,006 | \$ 2,666,468 |
| Total Primary Government | \$ 165,188,494 | \$ 111,903,665 | \$ 4,410,940 | \$ 4,033,444 | \$ (44,850,435) |
| Component Units | | | | | |
| City Marshal | 198,549 | 287,807 | - | - | 89,258 |
| City Court | 367,200 | 659,584 | - | - | 292,374 |
| Total Component Units | \$ 565,749 | \$ 947,401 | \$ - | \$ - | \$ 381,632 |
| General Revenues | | | | | |
| Taxes | | | | | |
| Property taxes | | | | | 6,629,520 |
| Sales tax | | | | | 42,009,669 |
| Franchise and miscellaneous taxes | | | | | - |
| Entitlements and shared revenues | | | | | 311,641 |
| Hotel occupancy taxes | | | | | 86,480 |
| Investment earnings | | | | | 416,881 |
| Miscellaneous | | | | | 1,466,202 |
| Gain (loss) on sale of assets | | | | | 10,445 |
| Transfers | | | | | 43,661 |
| Total General Revenues, Special Items, and Transfers | | | | | \$ 53,777,780 |
| Change in Net Assets | | | | | |
| Net Assets, Beginning of Year | | | | | 8,927,345 |
| Prior Period Adjustment - Correction of Error | | | | | 105,973,936 |
| Net Assets, Beginning of Year as Adjusted | | | | | 260,910,411 |
| Net Assets, End of Year | | | | | 263,990,837 |
| | | | | | \$ 272,918,152 |
| | | | | | \$ 1,756,847 |

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

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Fund Financial Statements

City of Alexandria
 Alexandria, Louisiana
 Balance Sheet
 Governmental Funds
 April 30, 2008

Exhibit C

| | General Fund | City Sales Tax | General Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|--------------------------|--------------------------|--------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 655,969 | \$ 3,066,774 | \$ 47,543 | \$ 1,440,494 | \$ 5,210,780 |
| Investments | - | - | - | 1,773,649 | 1,773,649 |
| Equity in pooled cash and investments | 7,623,915 | - | 16,497,793 | 15,749,166 | 39,870,874 |
| Receivables | 755,069 | 2,617,987 | 461,170 | 418,339 | 4,252,565 |
| Due from other governments | 244,453 | - | 19,362 | 196,803 | 460,618 |
| Due from other funds | 10,672,317 | - | 1,130,739 | 20,386 | 11,823,442 |
| Inventories | 222,195 | - | - | - | 222,195 |
| Total Assets | \$ 20,173,918 | \$ 5,684,761 | \$ 18,156,607 | \$ 19,598,837 | \$ 63,614,123 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Bank overdraft | \$ - | \$ - | \$ - | \$ 273,552 | \$ 273,552 |
| Accounts payable | 841,940 | - | 755,747 | 602,507 | 2,200,194 |
| Accrued expense/other payables | 988,578 | - | - | 5,344 | 993,922 |
| Due to other funds | 555,538 | 5,621,029 | 13,200 | 2,742 | 6,192,509 |
| Deferred revenue | - | - | - | 344,637 | 344,637 |
| Total Liabilities | 2,386,056 | 5,621,029 | 768,947 | 1,228,782 | 10,004,814 |
| Fund Balances | | | | | |
| Reserved for | - | - | - | - | - |
| Debt service | - | - | - | 1,708,334 | 1,708,334 |
| Encumbrances | - | - | 1,038,643 | 1,726,461 | 2,765,104 |
| Unreserved | 17,787,862 | 63,732 | 16,349,017 | - | 34,200,611 |
| Unreserved, reported in non-major | - | - | - | - | - |
| Special revenue funds | - | - | - | 5,220,868 | 5,220,868 |
| Capital project funds | - | - | - | 9,714,391 | 9,714,391 |
| Total Fund Balances | 17,787,862 | 63,732 | 17,387,660 | 18,370,054 | 53,609,308 |
| Total Liabilities and Fund Balances | \$ 20,173,918 | \$ 5,684,761 | \$ 18,156,607 | \$ 19,598,836 | \$ 63,614,122 |

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

City of Alexandria
Alexandria, Louisiana
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
April 30, 2008

Exhibit D

| | | |
|---|-----------|---------------------------|
| Total Fund Balance, Governmental Funds | \$ | 53,609,308 |
| <p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> | | |
| <p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement but are reported in the governmental activities of the Statement of Net Assets.</p> | | 146,696,856 |
| <p>Some liabilities, (such as compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement but are included in the governmental activities of the Statement of Net Assets.</p> | | |
| Bonds | | (33,175,000) |
| Compensated absences | | (2,984,094) |
| <p>Interest on long-term debt is accrued in the Statement of Net Assets, but not in the governmental funds.</p> | | (543,646) |
| <p>Certain receivables are reported in in the Statement of Net Assets but not in the governmental funds.</p> | | 227,945 |
| <p>Deferred revenue reported in governmental funds but not in the Statement of Net Assets.</p> | | 344,637 |
| <p>The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p> | | 2,809,494 |
| | | <u>2,809,494</u> |
| Net Assets of Governmental Activities in the Statement of Net Assets | \$ | <u>166,985,500</u> |

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

City of Alexandria
 Alexandria, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended April 30, 2008

| | General Fund | City Sales Tax | General Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|---------------|----------------|--------------------------|--------------------------|--------------------------|
| Revenues | | | | | |
| Taxes | | | | | |
| Property taxes | 2,288,764 | \$ - | - | \$ 4,340,757 | \$ 6,629,521 |
| Sales taxes | 7,293,839 | 34,715,829 | - | - | 42,009,668 |
| Other | 311,541 | - | - | 416,881 | 728,422 |
| Intergovernmental | 2,346,468 | - | 225,016 | 4,854,739 | 7,426,223 |
| Fees, commissions, and fines | 838,815 | - | - | - | 838,815 |
| Licenses and permits | 2,889,762 | - | - | - | 2,889,762 |
| Charges for services | 263,810 | - | - | 37,617 | 301,427 |
| Investment earnings | 413,571 | - | 760,028 | 842,176 | 2,035,775 |
| Miscellaneous | 550,451 | - | 461,170 | 272,824 | 1,324,445 |
| Total Revenues | 17,237,121 | 34,715,829 | 1,468,214 | 10,784,964 | 64,184,158 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 10,407,744 | - | - | 690,074 | 11,097,818 |
| Public safety | 24,987,534 | - | - | - | 24,987,534 |
| Public works | 10,075,756 | - | - | 89,642 | 10,145,398 |
| Community and economic development | - | - | - | 808,056 | 808,056 |
| Capital outlay | 2,799,290 | - | 5,746,151 | 8,425,245 | 16,970,685 |
| Debt service | - | - | - | - | - |
| Principal | 875,000 | - | - | 1,580,000 | 2,455,000 |
| Interest and other charges | 972,607 | - | - | 684,488 | 1,657,095 |
| Total Expenditures | 50,127,931 | - | 5,746,151 | 12,257,505 | 68,131,587 |
| Excess (Deficiency) of Revenues over Expenditures | (32,890,810) | 34,715,829 | (4,279,937) | (1,492,511) | (3,947,429) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 36,147,405 | - | 6,195,923 | 1,346,946 | 43,690,274 |
| Transfers out | (3,919,365) | (34,815,786) | (519,886) | (83,409) | (39,338,445) |
| Proceeds from sale of assets | 62,454 | - | 115,500 | - | 177,954 |
| Total Other Financing Sources (Uses) | 32,290,494 | (34,815,786) | 5,791,537 | 1,263,537 | 4,529,780 |
| Net Change in Fund Balances | (600,316) | (99,959) | 1,511,500 | (228,974) | 582,351 |
| Fund Balances, Beginning of Year | 18,388,178 | 163,661 | 15,876,060 | 18,599,028 | 53,026,957 |
| Fund Balances, End of Year | \$ 17,787,862 | \$ 63,732 | \$ 17,387,560 | \$ 18,370,054 | \$ 53,609,308 |

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

**City of Alexandria
Alexandria, Louisiana**
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities**
For the Year Ended April 30, 2008

Exhibit F

Net Change in Fund Balances - Total Governmental Funds \$ 582,351

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

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

| | |
|--|-------------|
| Capital outlays included in governmental funds | 12,776,449 |
| Depreciation included in the Statement of Activities | (6,330,822) |

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

(289,592)

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

2,455,000

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

| | |
|----------------------|-----------|
| FEMA grants | (93,300) |
| Interest expense | 34,370 |
| Deferred revenue | (68,977) |
| Compensated absences | (291,496) |

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

194,616

Change in Net Assets of Governmental Activities **\$ 8,968,599**

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

City of Alexandria
Alexandria, Louisiana
Statement of Net Assets
Proprietary Funds
April 30, 2008

Exhibit G

| | Enterprise Funds | | | Internal Service Funds |
|--|----------------------|------------------------------|-----------------------|---------------------------|
| | Utilities System | Other Enterprise Funds | Total | |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 5,989,125 | \$ 203,928 | \$ 6,193,053 | \$ 185,995 |
| Equity in pooled cash and investments | - | 1,341,654 | 1,341,654 | 9,018,593 |
| Receivables (net of allowances for uncollectible) | 12,682,553 | 219,609 | 12,902,162 | 410,451 |
| Due from other funds | 123,169 | 895,250 | 1,018,419 | 2,119 |
| Due from other governments | 90 | 44,078 | 44,168 | - |
| Inventories | 2,896,820 | - | 2,896,820 | - |
| Prepaid expenses/other assets | - | - | - | 113,180 |
| Total Current Assets | <u>21,691,757</u> | <u>2,704,519</u> | <u>24,396,276</u> | <u>9,730,338</u> |
| Non-Current assets | | | | |
| Restricted equity in pooled cash and investments | 28,055,930 | - | 28,055,930 | - |
| Capital assets | | | | |
| Land and improvements | 1,633,616 | 1,027,030 | 2,660,646 | - |
| Construction in progress | 8,512,569 | - | 8,512,569 | - |
| Property, plant and equipment | 209,669,948 | 22,141,501 | 231,811,449 | 19,742 |
| Less accumulated depreciation | (120,521,953) | (6,321,542) | (126,843,495) | (5,776) |
| Deferred bond issue costs | 468,761 | - | 468,761 | - |
| Total Non-Current Assets | <u>127,818,871</u> | <u>14,846,989</u> | <u>142,665,860</u> | <u>13,966</u> |
| Total Assets | <u>149,510,628</u> | <u>17,551,508</u> | <u>167,062,136</u> | <u>9,744,304</u> |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Bank overdraft | 1,214 | 3,237 | 4,451 | - |
| Equity in pooled cash overdraft | 588,866 | 709,375 | 1,298,241 | - |
| Accounts payable | 3,247,551 | 183,756 | 3,431,307 | 67,767 |
| Salaries payable | 459,451 | 144,498 | 603,949 | 1,863 |
| Due to other funds | 6,372,080 | 278,578 | 6,650,658 | 816 |
| Compensated absences | 175,635 | 34,468 | 210,103 | - |
| Certificates of indebtedness/capitalized leases | 150,000 | - | 150,000 | - |
| Estimated liability for claims incurred | - | - | - | 3,067,366 |
| Totals | <u>10,994,797</u> | <u>1,353,912</u> | <u>12,348,709</u> | <u>3,137,811</u> |
| Liabilities payable from restricted assets | | | | |
| Accounts and contracts payable | 902,456 | - | 902,456 | - |
| Interest | 898,385 | - | 898,385 | - |
| Revenue bonds | 4,285,000 | - | 4,285,000 | - |
| Totals | <u>6,085,841</u> | <u>-</u> | <u>6,085,841</u> | <u>-</u> |
| Non-Current Liabilities | | | | |
| Compensated absences | 995,267 | 195,314 | 1,190,581 | 14,811 |
| Certificates of indebtedness | 800,000 | - | 800,000 | - |
| Customer guaranteed deposits | 4,104,554 | - | 4,104,554 | - |
| Estimated liability for claims incurred | - | - | - | 3,245,000 |
| Post employment benefit obligation | - | - | - | 523,223 |
| Revenue bonds | 36,599,769 | - | 36,599,769 | - |
| Total Non-Current Liabilities | <u>42,499,590</u> | <u>195,314</u> | <u>42,694,904</u> | <u>3,783,034</u> |
| Total Liabilities | <u>59,580,228</u> | <u>1,549,226</u> | <u>61,129,454</u> | <u>6,920,845</u> |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 67,746,238 | 14,718,989 | 82,465,227 | 13,724 |
| Restricted for debt service | 3,488,000 | - | 3,488,000 | - |
| Restricted for capital additions and contingencies | 1,000,000 | - | 1,000,000 | - |
| Restricted for construction | 10,747,058 | - | 10,747,058 | - |
| Unrestricted | 6,949,104 | 1,283,293 | 8,232,397 | 2,809,735 |
| Total Net Assets | <u>\$ 89,930,400</u> | <u>\$ 16,002,282</u> | <u>\$ 105,932,682</u> | <u>\$ 2,823,459</u> |

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

City of Alexandria
Alexandria, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended April 30, 2008

| | Enterprise Funds | | | Total | Internal Service Funds |
|---|----------------------|------------------------|-----------------------|---------------------|------------------------|
| | Utilities System | Other Enterprise Funds | Enterprise Funds | | |
| Operating Revenues | | | | | |
| Charges for services | \$ 102,246,273 | \$ 5,007,809 | \$ 107,254,082 | \$ 8,632,365 | |
| Miscellaneous | 207,451 | 10,055 | 217,546 | 434,887 | |
| Total Operating Revenues | <u>102,453,754</u> | <u>5,017,864</u> | <u>107,471,628</u> | <u>9,267,242</u> | |
| Operating Expenses | | | | | |
| Electricity and natural gas purchases | 61,709,092 | - | 61,709,092 | - | |
| Personnel costs | 14,156,990 | 4,798,657 | 18,955,647 | 62,762 | |
| Contractual and professional services | 1,607,278 | 219,232 | 1,826,510 | 681,788 | |
| Disposal costs | - | 1,138,950 | 1,138,950 | - | |
| Utilities | 2,252,826 | 822,605 | 3,075,431 | - | |
| Repairs and maintenance | 4,454,917 | 199,336 | 4,654,253 | 2,065 | |
| Vehicle expense | 648,148 | 1,173,161 | 1,821,309 | - | |
| Other supplies and expenses | 1,526,530 | 497,066 | 2,023,596 | 17,311 | |
| Miscellaneous expenses | 200,000 | 184,080 | 384,080 | 2,843 | |
| Payments in lieu of insurance | 575,662 | 313,132 | 888,794 | - | |
| Insurance, claims, and related expenses | - | 7,643 | 7,643 | 8,770,591 | |
| Depreciation | 6,275,608 | 973,599 | 7,249,207 | 3,250 | |
| Total Operating Expenses | <u>93,407,051</u> | <u>10,327,461</u> | <u>103,734,512</u> | <u>9,540,610</u> | |
| Operating Income (Loss) | 9,046,713 | (5,309,597) | 3,737,116 | (273,368) | |
| Nonoperating Revenue (Expenses) | | | | | |
| Investment earnings | 1,450,003 | 45,199 | 1,495,202 | 439,312 | |
| Operating grants and contributions | 465 | 968,161 | 968,626 | - | |
| Interest expense | (1,528,015) | - | (1,528,015) | - | |
| Gain (loss) on sale of assets | 41,539 | 3,518 | 45,057 | - | |
| Total Nonoperating Revenue (Expenses) | <u>(436,008)</u> | <u>1,016,878</u> | <u>580,870</u> | <u>439,312</u> | |
| Income (Loss) Before Contributions and Transfers | 8,610,705 | (4,292,719) | 4,317,986 | 165,944 | |
| Transfers in | - | - | - | - | |
| Transfers out | 258,630 | 5,881,445 | 6,140,075 | 25,421 | |
| Capital contributions | (9,019,366) | (1,497,965) | (10,517,321) | - | |
| Change in Net Assets | <u>(150,021)</u> | <u>108,767</u> | <u>(41,254)</u> | <u>191,365</u> | |
| Total Net Assets - Beginning of Year | 90,080,421 | 15,893,515 | 105,973,936 | 2,632,094 | |
| Total Net Assets - End of Year | <u>\$ 89,930,400</u> | <u>\$ 16,002,282</u> | <u>\$ 105,932,682</u> | <u>\$ 2,823,459</u> | |

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

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

Exhibit I

| | |
|--|--------------------|
| Change in Net Assets - Enterprise Funds | \$ (41,254) |
|--|--------------------|

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

| | |
|---|---------------------------|
| Change in Net Assets of Business-Type Activities | \$ <u>(41,254)</u> |
|---|---------------------------|

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

**City of Alexandria
Alexandria, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended April 30, 2008**

**Exhibit J
(Continued)**

| | Enterprise Funds | | | Internal Service Funds |
|---|-----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | Utilities System | Other Enterprise Funds | Total Enterprise Funds | |
| Cash Flows from Operating Activities | | | | |
| Receipts from customers | \$ 101,927,998 | \$ 5,058,306 | \$ 106,986,304 | \$ - |
| Internal activity - receipts from other funds | 1,796,446 | - | 1,796,446 | 7,098,705 |
| Other receipts | 171,063 | 200 | 171,263 | 1,809,983 |
| Payments for personnel costs | (14,160,167) | (4,314,283) | (18,474,450) | (61,284) |
| Payments to vendors and others | (67,891,609) | (2,370,707) | (70,262,316) | (8,862,684) |
| Internal activity - payments to other funds | (4,487,879) | (2,614,340) | (7,102,219) | (12,311) |
| Net Cash Provided (Used) by Operating Activities | <u>17,355,852</u> | <u>(4,240,824)</u> | <u>13,115,028</u> | <u>(27,591)</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Bank overdraft | (153,997) | (59,852) | (213,849) | - |
| Operating grants and subsidies | 136,445 | 971,057 | 1,107,502 | - |
| Transfers between funds | (4,784,175) | 3,680,982 | (1,103,193) | 24,684 |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(4,801,727)</u> | <u>4,592,187</u> | <u>(209,540)</u> | <u>24,684</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Capital contributions | - | 227,481 | 227,481 | - |
| Interest received on construction funds | 729,863 | - | 729,863 | - |
| Proceeds from sale of capital assets | 343,975 | 10,718 | 354,693 | - |
| Acquisition or construction of capital assets | (6,401,926) | (753,235) | (7,155,161) | (3,492) |
| Principal paid on capital debt | (4,030,000) | - | (4,030,000) | - |
| Interest paid on capital debt | (1,799,777) | - | (1,799,777) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(11,157,865)</u> | <u>(515,036)</u> | <u>(11,672,901)</u> | <u>(3,492)</u> |
| Cash Flows from Investing Activities | | | | |
| Net change in equity in pooled cash and investments | (588,984) | (314,017) | (903,001) | (363,474) |
| Interest received on operating funds | 720,140 | 45,198 | 765,338 | 439,312 |
| Net Cash Provided (Used) by Investing Activities | <u>131,156</u> | <u>(268,819)</u> | <u>(137,663)</u> | <u>75,838</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>1,527,416</u> | <u>(432,492)</u> | <u>1,094,924</u> | <u>69,439</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>4,461,709</u> | <u>636,420</u> | <u>5,098,129</u> | <u>116,556</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 5,989,125</u> | <u>\$ 203,928</u> | <u>\$ 6,193,053</u> | <u>\$ 185,995</u> |

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

City of Alexandria
 Alexandria, Louisiana
 Statement of Cash Flows
 Proprietary Funds
 For the Year Ended April 30, 2008

Exhibit J
 (Concluded)

| | <u>Enterprise Funds</u> | | | <u>Internal Service Funds</u> |
|--|-----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | <u>Utilities System</u> | <u>Other Enterprise Funds</u> | <u>Total Enterprise Funds</u> | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | |
| Operating income (loss) | \$ 9,046,713 | \$ (5,309,597) | \$ 3,737,116 | \$ (273,368) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | |
| Depreciation | 6,275,608 | 973,599 | 7,249,207 | 3,250 |
| Changes in assets and liabilities | | | | |
| Receivables | 1,270,680 | 5,789 | 1,276,469 | (358,554) |
| Due from other funds | - | 34,852 | 34,852 | - |
| Prepaid expenses | 117,430 | - | 117,430 | - |
| Inventories | (127,348) | - | (127,348) | - |
| Accounts payable | 644,052 | (5,446) | 638,606 | 54,068 |
| Accrued expenses and other current liabilities | (2,766) | 43,854 | 41,088 | 475 |
| Estimated liability for claims incurred | - | - | - | 317,731 |
| Post employment benefit obligation | - | - | - | 227,804 |
| Compensated absences | (39,580) | 16,125 | (23,455) | 1,003 |
| Customer guaranteed deposits | 171,063 | - | 171,063 | - |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 17,355,852</u> | <u>\$ (4,240,824)</u> | <u>\$ 13,115,028</u> | <u>\$ (27,591)</u> |

Additional required disclosure:

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

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

City of Alexandria
Alexandria, Louisiana
Statement of Fiduciary Net Assets
Fiduciary Funds
April 30, 2008

Exhibit K

| | Pension Trust Funds | | |
|---------------------------------------|--|---|---------------|
| | City Employees' Retirement System (12/31/07) | Firemen's Pension and Relief Fund | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 5,839,034 | \$ 2,267 | \$ 5,841,301 |
| Receivables | | | |
| Interest and dividends | 715,923 | - | 715,923 |
| Investments, at fair value | | | |
| Corporate bonds | 18,541,744 | - | 18,541,744 |
| Corporate stocks | 51,623,200 | - | 51,623,200 |
| U.S. Government agency notes | 10,431,105 | - | 10,431,105 |
| Zero coupon treasury receipts | 3,022,212 | - | 3,022,212 |
| GNMA notes | 69,430 | - | 69,430 |
| Certificate of deposit | - | 91,822 | 91,822 |
| Total Investments | 83,687,691 | 91,822 | 83,779,513 |
| Capital assets | | | |
| Furniture, fixtures and equipment-net | 3,225 | - | 3,225 |
| Total Capital Assets | 3,225 | - | 3,225 |
| Total Assets | 90,245,873 | 94,089 | 90,339,962 |
| Liabilities | | | |
| Payroll taxes withheld | 630 | - | 630 |
| Total Liabilities | 630 | - | 630 |
| Net Assets | | | |
| Held in trust for pension benefits | \$ 90,245,243 | \$ 94,089 | \$ 90,339,332 |

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

City of Alexandria
 Alexandria, Louisiana
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
 For the Year Ended April 30, 2008

Exhibit L

| | Pension Trust Funds | | |
|--|--|---|---------------|
| | City Employees' Retirement System (12/31/07) | Firemen's Pension and Relief Fund | Total |
| Additions | | | |
| Contributions | | | |
| Employer | \$ 5,217,854 | \$ 20,000 | \$ 5,237,854 |
| Plan members | 1,753,249 | - | 1,753,249 |
| Total Contributions | 6,971,103 | 20,000 | 6,991,103 |
| Investment earnings | | | |
| Net appreciation (depreciation) in fair value of investments | 1,349,409 | - | 1,349,409 |
| Interest | 2,014,221 | 3,668 | 2,017,889 |
| Dividends | 1,339,413 | - | 1,339,413 |
| Total Investment Earnings | 4,703,043 | 3,668 | 4,706,711 |
| Total Additions | 11,674,146 | 23,668 | 11,697,814 |
| Deductions | | | |
| Plan benefits | 5,767,417 | 21,374 | 5,788,791 |
| DROP benefits | 491,322 | - | 491,322 |
| Refunds/transfers of contributions | 279,274 | - | 279,274 |
| Administrative | 126,272 | - | 126,272 |
| Total Deductions | 6,664,285 | 21,374 | 6,685,659 |
| Change in Net Assets | 5,009,861 | 2,294 | 5,012,155 |
| Net Assets, Beginning of Year | 85,235,362 | 91,775 | 85,327,157 |
| Net Assets End of Year | \$ 90,245,243 | \$ 94,069 | \$ 90,339,312 |

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

Notes to Financial Statements

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

1. Organization And Significant Accounting Policies

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

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

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

A. The Financial Reporting Entity

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

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

Discretely Presented Component Units. The component unit columns in the government-wide statements of net assets and statement of activities include the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City Marshal and the City Judge are elected by the voters of the City of Alexandria. The financial statements of each of these entities are included as of their respective fiscal years ended September 30, 2007.

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

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

Administrative Offices:

Alexandria City Marshal
515 Washington Street
Alexandria, Louisiana

Alexandria City Court
515 Washington Street
Alexandria, Louisiana

B. Basis of Presentation and Accounting

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

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

Government-Wide Financial Statements (GWFS)

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

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

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

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

Fund Financial Statements

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

Governmental Funds

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

The major governmental funds are:

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

Revenue Recognition

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

Expenditure Recognition

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

Proprietary Funds

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

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

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

The City maintains three internal service funds as follows:

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

Notes to Financial Statements

Fiduciary Funds

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

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

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

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

C. Budgets and Budgetary Accounting

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

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

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

D. Encumbrances

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

E. Cash and Cash Equivalents; Investments

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

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

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

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

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

G. Inventories

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

H. Restricted Assets

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

I. Capital Assets and Depreciation

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

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

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

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Interest capitalized during the current period totaled \$71,385.

J. Bond Issuance Costs

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

K. Compensated Absences

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

L. Long-term Liabilities

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

M. Supplemental Wages

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

N. Interfund Transactions

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

O. Estimates

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

P. Prior Period Adjustment

The Government-Wide Financial Statements include a prior period adjustment – correction of an error increasing net assets by \$3,080,426. The correction was necessary due to certain infrastructure assets capitalized in prior years and not properly accounted for within the general fixed assets of the City.

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

Cash and cash equivalents – governmental and business-type activities

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

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

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

| | |
|---|--------------------|
| Cash in interest-bearing demand deposits | \$ 21,072,344 |
| Certificates of deposit with maturities of less than one year | <u>30,000,000</u> |
| | 51,072,344 |
| Less individual funds pooled cash overdraft | <u>(1,298,241)</u> |
| | \$ 49,774,103 |

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

Investments – governmental and business-type activities

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

Cash and equivalents – employee retirement plans

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

Investments – employee retirement plans

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

| Investment Type | Fair Value | Investment Maturities (In Years) | | | |
|-------------------------------|---------------|----------------------------------|--------------|---------------|---------------|
| | | Less than 1 | 1 – 5 | 6 – 10 | More than 10 |
| Corporate bonds | \$ 18,541,744 | \$ | \$ 186,000 | \$ 2,465,879 | \$ 15,889,865 |
| Zero coupon treasury receipts | 3,022,212 | | | 3,022,212 | |
| U. S. agencies obligations | 10,431,105 | | 149,098 | | 10,282,007 |
| GMNA mortgage notes | <u>69,430</u> | <u>277</u> | <u>8,027</u> | <u>43,183</u> | <u>17,943</u> |
| Total interest-bearing | 32,064,491 | \$ 277 | \$ 343,125 | \$ 5,531,274 | \$ 26,189,815 |
| Corporate stocks | 51,623,200 | | | | |
| Certificate of deposit | <u>91,822</u> | | | | |
| | \$ 83,779,513 | | | | |

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

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

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

3. Receivables

Receivables as shown in the Fund Financial Statements, at April 30, 2008, consist of the following:

| | <u>Governmental Funds</u> | <u>Proprietary Funds</u> | <u>Internal Service Funds</u> | <u>Totals</u> |
|------------------------------|-------------------------------|------------------------------|-----------------------------------|--------------------|
| Receivables | | | | |
| Taxes - sales | \$ 3,262,447 | \$ | \$ | \$ 3,262,447 |
| Accounts | | | | |
| Uncollected cycle billings | | 9,049,701 | | 9,049,701 |
| Estimated unbilled services | | 5,082,298 | | 5,082,298 |
| Interest | 5,926 | | | 5,926 |
| Other | <u>1,027,168</u> | <u>90,163</u> | <u>410,451</u> | <u>1,527,782</u> |
| Gross receivables | 4,295,541 | 14,222,162 | 410,451 | 18,928,154 |
| Allowance for uncollectibles | <u>(42,976)</u> | <u>(1,320,000)</u> | | <u>(1,362,976)</u> |
| Net receivables | \$ 4,252,565 | \$ 12,902,162 | \$ 410,451 | \$ 17,565,178 |
| Intergovernmental | | | | |
| Federal | 152,342 | 10,953 | | 163,295 |
| State | 214,090 | 33,215 | | 247,305 |
| Local | <u>94,186</u> | | | <u>94,186</u> |
| Total Intergovernmental | <u>\$ 460,618</u> | <u>\$ 44,168</u> | <u>\$ -</u> | <u>\$ 504,786</u> |
| Total receivables | \$ 4,713,183 | \$ 12,946,330 | \$ 410,451 | \$ 18,069,964 |

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

For the year ended April 30, 2008, taxes of 20.23 mills were levied on property with assessed values totaling \$323,937,050 and were dedicated as follows:

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

Total taxes levied were \$6,553,247 of which a balance of \$-0- representing current taxes, (net of allowance for uncollectibles) remained uncollected at April 30, 2008.

Receivables arising from utility services provided to customers consist of uncollected billings rendered customers on monthly cycle billings and estimated services provided customers between billing cycles. The allowance for uncollectible accounts includes \$1,320,000, which represents the projected uncollectible utility accounts at April 30, 2008.

4. Due From/To Other Funds and Transfers

Amounts due from and to other funds as reported in the fund financial statements, at April 30, 2008, consist of the following:

| Receivable Fund | Payable Fund | Amount |
|--------------------------------------|-------------------------------------|----------------------|
| General | City Sales Tax | \$ 4,548,623 |
| General | Home Investment Partnership Program | 1,367 |
| General | Youth Baseball | 934 |
| General | Utilities System | 5,965,333 |
| General | Sanitation | 31,949 |
| General | Municipal Bus Line | 123,295 |
| General | Risk Management | 815 |
| Community Development | Home Investment Partnership Program | 441 |
| Community Development | General | 6,746 |
| General Capital Projects | City Sales Tax | 1,072,406 |
| General Capital Projects | Utilities System | 58,333 |
| General Capital Projects Tax Call | General Capital Projects | 13,200 |
| Total Governmental Funds | | 11,823,442 |
| Municipal Bus Line | Utilities System | 266,758 |
| Sanitation | Utilities System | 10,092 |
| Golf Course | General | 174,820 |
| Zoological Park | General | 443,580 |
| Utilities System | Golf Course | 2,280 |
| Utilities System | Sanitation | 120,889 |
| Total Enterprise Funds | | 1,018,419 |
| Employee Benefits Insurance | General | 1,375 |
| Employee Benefits Insurance | Sanitation | 92 |
| Employee Benefits Insurance | Municipal Bus Line | 71 |
| Employee Benefits Insurance | Utilities System | 581 |
| Total Internal Service Funds | | 2,119 |
| Total Due From/To Other Funds | | \$ 12,843,980 |

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

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

Transfers, for the year ending April 30, 2008, shown in the fund financial statements were as follows:

| Transfers in | Transfers out | Amount |
|-----------------------------------|----------------------------|----------------------|
| General | City Sales Tax | \$ 27,767,691 |
| General | General Capital Projects | 310,000 |
| General | Utilities System | 6,832,336 |
| General | Sanitation | 634,621 |
| General | Municipal Bus Line | 288,327 |
| General | Zoological Park | 269,223 |
| General | Golf Course | 45,208 |
| General Capital Projects | City Sales Tax | 5,985,328 |
| General Capital Projects | Utilities System | 150,000 |
| Home Investment Ptns Program | Hotel Economic Development | 22,814 |
| Youth Recreation | General | 35,066 |
| Riverfront Center | General | 213,094 |
| 1998 Drainage Property Tax | General Capital Projects | 60,595 |
| General Capital Projects Tax Call | General Capital Projects | 13,200 |
| Debt Service | City Sales Tax | <u>1,062,770</u> |
| Total Governmental Funds | | 43,690,273 |
| | | |
| Utilities System | Sanitation | 203,196 |
| Utilities System | Municipal Bus Line | 55,434 |
| Municipal Bus Line | Utilities System | 2,030,054 |
| Municipal Bus Line | General Capital Projects | 196,686 |
| Golf Course | General | 391,107 |
| Zoological Park | General | 2,183,124 |
| Sanitation | General | <u>1,080,474</u> |
| Total Enterprise Funds | | 6,140,075 |
| | | |
| Employee Benefits Insurance | General | 16,499 |
| Employee Benefits Insurance | Utilities System | 6,966 |
| Employee Benefits Insurance | Sanitation | 1,108 |
| Employee Benefits Insurance | Municipal Bus Line | <u>848</u> |
| Total Internal Service Funds | | 25,421 |
| | | |
| Total Transfers | | <u>\$ 49,855,769</u> |

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

5. Restricted Assets

At April 30, 2008, restricted assets of the Utility System Enterprise Fund consist of equity in pooled cash and investments totaling \$28,055,930 as follows:

| | |
|--|----------------------|
| Revenue bond current debt service | \$ 5,169,220 |
| Customers' deposits | 4,104,554 |
| Special projects | 150,000 |
| Revenue bond reserve | 3,488,000 |
| Revenue bond capital additions and contingencies | 1,000,000 |
| Utilities capital projects - unexpended bond funds | 11,057,785 |
| Utilities capital projects - other | <u>3,086,371</u> |
| | \$ 28,055,930 |

6. Capital Assets and Depreciation

Capital asset activity for the year ended April 30, 2008, was as follows:

| | <u>Balance</u> <u>May 1, 2007</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>April 30, 2008</u> |
|---|--------------------------------------|---------------------|----------------------|---|
| Governmental Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land and land improvements | \$ 10,422,863 | \$ 363,642 | \$ - | \$ 10,786,505 |
| Infrastructure in progress | <u>10,595,188</u> | <u>10,111,782</u> | <u>(2,326,704)</u> | <u>18,380,266</u> |
| Total Capital Assets not Being Depreciated | 21,018,051 | 10,475,424 | (2,326,704) | 29,166,771 |
| Other Capital Assets | | | | |
| Buildings and improvements | 90,014,880 | 75,592 | - | 90,090,472 |
| Furniture and fixtures | 947,546 | 5,876 | (60,085) | 893,337 |
| Equipment | 12,745,642 | 1,140,799 | (1,185,604) | 12,700,837 |
| Vehicles | 10,731,311 | 1,144,462 | (1,307,515) | 10,568,258 |
| Infrastructure | <u>69,444,050</u> | <u>2,100,519</u> | <u>-</u> | <u>71,544,569</u> |
| Total Other Capital Assets | 183,883,429 | 4,467,248 | (2,553,204) | 185,797,473 |
| Accumulated Depreciation | | | | |
| Buildings and improvements | (21,953,164) | (2,307,529) | - | (24,260,693) |
| Furniture and fixtures | (829,658) | (4,315) | 49,129 | (784,844) |
| Equipment | (9,502,334) | (966,071) | 1,176,770 | (9,291,635) |
| Vehicles | (7,600,513) | (939,187) | 1,258,805 | (7,280,895) |
| Infrastructure | <u>(24,478,485)</u> | <u>(2,170,835)</u> | <u>-</u> | <u>(26,649,320)</u> |
| Total Accumulated Depreciation | <u>(64,364,154)</u> | <u>(6,387,937)</u> | <u>2,484,704</u> | <u>(68,267,387)</u> |
| Other Capital Assets, Net | <u>119,519,275</u> | <u>(1,920,689)</u> | <u>(68,500)</u> | <u>117,530,086</u> |
| Net Capital Assets | \$ 140,537,326 | \$ 8,554,735 | \$(2,395,204) | \$146,696,857 |

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

Depreciation increases (expense) other than transfers in of \$57,115 was charged to functions as follows:

| | |
|--|--------------|
| Governmental Activities | |
| General government | \$ 1,579,136 |
| Public safety | 1,399,597 |
| Public works | 3,351,059 |
| Community Development | <u>1,030</u> |
| Total Depreciation Expense for Governmental Activities | \$ 6,330,822 |

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

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

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

Estimations of useful lives are as follows:

| | |
|-----------------|----------|
| Streets | 40 years |
| Drainage | 25 years |
| Traffic signals | 25 years |

| | <u>Balance</u> <u>May 1, 2007</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>April 30, 2008</u> |
|---|--------------------------------------|--------------------|--------------------|---|
| Business-Type Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 2,372,646 | \$ 338,000 | \$ (50,000) | \$ 2,660,646 |
| Construction in progress | <u>6,943,601</u> | <u>3,746,588</u> | <u>(2,177,620)</u> | <u>8,512,569</u> |
| Total Capital Assets not Being Depreciated | 9,316,247 | 4,084,588 | (2,227,620) | 11,173,215 |
| Other Capital Assets | | | | |
| Plant and equipment | 209,758,627 | 4,740,950 | (1,937,612) | 212,561,965 |
| Buildings and improvements | 5,701,458 | - | - | 5,701,458 |
| Vehicles and buses | 11,079,413 | 1,070,256 | (935,139) | 11,214,530 |
| Furniture, fixtures and equipment | <u>2,279,745</u> | <u>91,788</u> | <u>(38,035)</u> | <u>2,333,498</u> |
| Total Other Capital Assets | 228,819,243 | 5,902,994 | (2,910,786) | 231,811,451 |
| Accumulated Depreciation | | | | |
| Plant and equipment | (113,795,736) | (6,070,514) | 1,758,110 | (118,108,140) |
| Buildings and improvements | (2,336,755) | (125,484) | - | (2,462,239) |
| Vehicles and buses | (6,678,214) | (906,724) | 941,613 | (6,643,325) |
| Furniture, fixtures and equipment | <u>(1,498,789)</u> | <u>(155,365)</u> | <u>24,361</u> | <u>(1,629,793)</u> |
| Total Accumulated Depreciation | <u>(124,309,494)</u> | <u>(7,258,087)</u> | <u>2,724,084</u> | <u>(128,843,497)</u> |
| Other Capital Assets, Net | <u>104,509,749</u> | <u>(1,355,093)</u> | <u>(186,702)</u> | <u>102,967,954</u> |
| Net Capital Assets | \$113,825,996 | \$ 2,729,495 | \$(2,414,322) | \$114,141,169 |

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

Depreciation was charged to functions as follows:

| | |
|---|----------------|
| Business-Type Activities | |
| Electricity | \$2,323,483 |
| Natural gas | 1,317,194 |
| Water | 1,098,386 |
| Waste water | 1,536,545 |
| Municipal bus line | 389,345 |
| Sanitation | 167,723 |
| Municipal zoo | 140,329 |
| Municipal golf course | <u>285,082</u> |
| Total Depreciation Expense for Business-Type Activities | \$7,258,087 |

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

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

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

| | <u>Project Authorization</u> | <u>Expended To Date</u> | <u>Commitment</u> | <u>Required Further Financing</u> |
|----------------------------------|----------------------------------|-----------------------------|-------------------|---|
| Utilities System Enterprise Fund | | | | |
| Electric | \$ 7,124,173 | \$ 3,886,901 | \$ 315,287 | None |
| Gas | - | - | - | None |
| Water | 2,623,035 | 775,498 | 223,171 | None |
| Waste water | 18,309,668 | 5,125,323 | 4,433,250 | None |
| General and administrative | <u>1,931,749</u> | <u>902,467</u> | <u>436,306</u> | None |
| | \$29,988,625 | \$ 10,690,189 | \$ 5,408,014 | |

7. Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City employs a Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage up to the maximum amounts indicated in the following table. The City purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims did not exceed this commercial coverage for the fiscal year ended April 30, 2008. During a previous year, management of the City decided not to renew coverage for automobile liability. All claims are now handled by the City Attorney's office with the City primarily liable for any and all claim settlements.

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

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

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

All funds of the City participate in the program and make payments to the Risk Management Fund based upon actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$5,461,000 as of April 30, 2008, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City has elected to record the liability on the discounted basis.

Changes in the Fund's claims liability amount in the fiscal year ending April 30, 2008, were as follows:

| | |
|--|--------------------|
| Balance, beginning of the year | \$ 5,706,000 |
| Current year claims and changes in estimates | 2,657,135 |
| Claims payments | <u>(2,902,135)</u> |
| Balance, end of the year | \$ 5,461,000 |

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

The City is a plaintiff in a lawsuit with CLECO regarding the price paid for certain purchases of energy, for the Utilities System, from CLECO in previous years. In compliance with an order of the court, an independent audit of the records relating to those purchases was conducted. At present, the parties are in mediation regarding the matter with preliminary agreements formulated. Management and legal counsel for the City are unable to provide reasonable estimates of the amount of recovery, if any, and it is not practical to calculate such amounts under current known facts and conditions. However, management does not anticipate any liability resulting from the lawsuit accruing to the City.

8. Employee Benefits Insurance

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

All funds of the City and covered employees participate in the program and make payments to the Employee Benefits Insurance Fund based on estimates of the amount needed to pay current year claims. The claims liability of \$851,366 reported in the Fund at April 30, 2008, is based upon the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in the fiscal year ending April 30, 2008, were as follows:

| | |
|--|--------------------|
| Balance, beginning of the year | \$ 288,635 |
| Current year claims and changes in estimates | 6,101,391 |
| Claims payments | <u>(5,538,660)</u> |
| Balance, end of the year | \$ 851,366 |

9. Unemployment Benefits

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

During the year ended April 30, 2008, no payments were paid to the Unemployment Benefits Fund. Management believes that sufficient investments are available in the Unemployment Benefits Fund to pay claims from investment earnings. Claims incurred as of April 30, 2008, are considered immaterial and are not included in this report.

10. Long-Term Liabilities

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

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

A summary of long-term debt, as of April 30, 2008, follows:

| | <u>Maturity Dates</u> | <u>Interest Rates</u> | <u>Business-type Activities</u> | <u>Governmental Activities</u> |
|---|---------------------------|---------------------------|-------------------------------------|------------------------------------|
| Governmental activities | | | | |
| General Obligation | | | | |
| Sales tax revenue bonds | | | | |
| 2002 Issue | 2009 - 2024 | 2.50 - 5.00 | \$ | \$ 13,715,000 |
| Ad valorem tax bonds -refunding | 2009 - 2016 | 2.00 - 3.75 | | 4,260,000 |
| Certificates of indebtedness | | | | |
| Series 1998 A & B - refunding | 2009 - 2014 | 4.65 - 6.00 | | 1,950,000 |
| Series 1998 C - refunding | 2009 - 2022 | 5.75 - 6.85 | | 13,250,000 |
| Compensated absences | | | | 2,984,094 |
| Risk Management Claims | | | | 3,245,000 |
| Post employment benefit obligation | | | | 523,223 |
| Business-type activities | | | | |
| Enterprise Funds | | | | |
| Utilities System revenue bonds | | | | |
| 2002 refunding | 2009 | 4.00 | 2,435,000 | |
| 2003 refunding | 2009 - 2014 | 2.50 - 3.625 | 5,540,000 | |
| 2004 A capital additions | 2009 - 2034 | 3.00 - 5.00 | 15,490,000 | |
| 2004 B refunding | 2009 - 2021 | 3.00 - 5.00 | 17,880,000 | |
| Certificates of indebtedness | | | | |
| Series 2004 – capital additions | 2009 - 2013 | 2.80 - 4.15 | 950,000 | |
| Customer guaranteed deposits | | | 4,104,554 | |
| Compensated absences | | | 1,400,684 | |
| Totals | | | 47,800,238 | 39,927,317 |
| Current portion | | | (4,645,103) | (2,436,492) |
| Totals | | | \$ 43,155,135 | \$ 37,490,825 |
| Deferred loss on Revenue Bonds 2003 B refunding | | | (460,231) | |
| Totals | | | \$ 42,694,904 | |

During the year ended April 30, 2008, the following changes occurred in governmental activities long-term liabilities:

| | <u>Balance 05/01/07</u> | <u>Additions</u> | <u>(Reductions)</u> | <u>Balance 04/30/08</u> |
|---|-----------------------------|------------------|---------------------|-----------------------------|
| Governmental Activities Long-Term Debt | | | | |
| Sales tax bonds | \$ 14,855,000 | \$ | \$ (1,140,000) | \$ 13,715,000 |
| Ad valorem tax bonds | 4,700,000 | | (440,000) | 4,260,000 |
| Certificates of indebtedness | 16,075,000 | | (875,000) | 15,200,000 |
| Compensated absences - net | 2,692,598 | 291,496 | | 2,984,094 |
| Post employment benefit obligation – net | 295,419 | 227,804 | | 523,223 |
| Risk management claims - net | 3,459,000 | | (214,000) | 3,245,000 |
| Totals | \$ 42,077,017 | \$ 519,300 | \$ (2,669,000) | \$ 39,927,317 |

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

| | <u>Balance</u> <u>04/30/08</u> | <u>Due within</u> <u>one year</u> | <u>Due in more</u> <u>than one year</u> |
|---|-----------------------------------|--------------------------------------|--|
| Governmental Activities Long-Term Debt | | | |
| Sales tax bonds | \$ 13,715,000 | \$ 580,000 | \$ 13,135,000 |
| Ad valorem tax bonds | 4,260,000 | 455,000 | 3,805,000 |
| Certificates of indebtedness | 15,200,000 | 930,000 | 14,270,000 |
| Compensated absences - net | 2,984,094 | 471,492 | 2,512,602 |
| Post employment benefit obligation – net | 523,223 | | 523,223 |
| Risk management claims - net | <u>3,245,000</u> | | <u>3,245,000</u> |
| Totals | \$ 39,927,317 | \$ 2,436,492 | \$ 37,490,825 |

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

| <u>Year ended April 30,</u> | <u>Principal</u> <u>Payments</u> | <u>Interest</u> <u>Payments</u> | <u>Total</u> |
|-----------------------------|-------------------------------------|------------------------------------|------------------|
| 2009 | \$ 1,965,000 | \$ 1,554,950 | \$ 3,519,950 |
| 2010 | 2,075,000 | 1,458,506 | 3,533,506 |
| 2011 | 2,180,000 | 1,367,006 | 3,547,006 |
| 2012 | 2,290,000 | 1,275,490 | 3,565,490 |
| 2013 | 2,410,000 | 1,176,116 | 3,586,116 |
| 2014-2018 | 10,770,000 | 4,281,129 | 15,051,129 |
| 2019-2023 | 10,280,000 | 1,494,479 | 11,774,479 |
| 2024 | <u>1,205,000</u> | <u>25,305</u> | <u>1,230,305</u> |
| | \$ 33,175,000 | \$ 12,632,981 | \$ 45,807,981 |

During the year ended April 30, 2008, the following changes occurred in business-type activities long-term liabilities:

| | <u>Balance</u> <u>05/01/07</u> | <u>Additions</u> | <u>(Reductions)</u> | <u>Balance</u> <u>04/30/08</u> |
|--|-----------------------------------|------------------|---------------------|-----------------------------------|
| Business-Type Activities Long-Term Debt | | | | |
| Revenue bonds | \$ 45,230,000 | \$ | \$ (3,885,000) | \$ 41,345,000 |
| Certificates of indebtedness | 1,095,000 | | (145,000) | 950,000 |
| Compensated absences - net | 1,424,139 | | (23,455) | 1,400,684 |
| Customer guaranteed deposits - net | <u>3,933,491</u> | <u>171,063</u> | | <u>4,104,554</u> |
| Totals | \$ 51,682,630 | \$ 171,063 | \$ (4,053,455) | \$ 47,800,238 |

| | <u>Balance</u> <u>04/30/08</u> | <u>Due within</u> <u>one year</u> | <u>Due in more</u> <u>than one year</u> |
|--|-----------------------------------|--------------------------------------|--|
| Business-Type Activities Long-Term Debt | \$ 47,800,238 | \$ 4,645,103 | \$ 43,155,135 |

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

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

| <u>Year ended April 30,</u> | <u>Principal Payments</u> | <u>Interest Payments</u> | <u>Total</u> |
|-----------------------------|-------------------------------|------------------------------|------------------|
| 2009 | \$ 4,435,000 | \$ 1,725,823 | \$ 6,160,823 |
| 2010 | 2,500,000 | 1,600,685 | 4,100,685 |
| 2011 | 2,610,000 | 1,496,128 | 4,106,128 |
| 2012 | 2,715,000 | 1,392,422 | 4,107,422 |
| 2013 | 2,825,000 | 1,294,101 | 4,119,101 |
| 2014-2018 | 10,615,000 | 5,007,059 | 15,622,059 |
| 2019-2023 | 7,845,000 | 2,746,980 | 10,591,980 |
| 2024-2028 | 3,415,000 | 1,660,284 | 5,075,284 |
| 2029-2033 | 4,335,000 | 763,808 | 5,098,808 |
| 2034 | <u>1,000,000</u> | <u>23,500</u> | <u>1,023,500</u> |
| | \$42,295,000 | \$ 17,710,790 | \$ 60,005,790 |

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

Governmental activities

General Obligation

Sales tax revenue bonds
 Series ST-1987

\$ 4,100,000

11. Supplemental Pay

Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$1,292,073 is recognized as intergovernmental revenue in the General Fund and as expenditures in the following public safety departments:

| | |
|--------|----------------|
| Police | \$ 776,351 |
| Fire | <u>515,722</u> |
| | \$ 1,292,073 |

12. Enterprise Funds – Segment Information

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

| | Utilities System |
|--|---------------------|
| Condensed Statement of Net Assets | |
| Assets | |
| Current assets | |
| Due from other funds | \$ 123,169 |
| Other current assets | 21,568,588 |
| Noncurrent assets | |
| Restricted equity in pooled cash and investments | 28,055,930 |
| Capital assets | 99,294,180 |
| Other noncurrent assets | 468,761 |
| Total Assets | 149,510,628 |
| Liabilities | |
| Current liabilities | |
| Due to other funds | 6,372,080 |
| Other current liabilities | 4,622,717 |
| Liabilities payable from restricted assets | 6,085,841 |
| Noncurrent liabilities | 42,499,590 |
| Total Liabilities | 59,580,228 |
| Net Assets | |
| Invested in capital assets, net of related debt | 67,746,238 |
| Restricted | 15,235,058 |
| Unrestricted | 6,949,104 |
| Total Net Assets | \$ 89,930,400 |
| Condensed Statement of Revenues, Expenses and Changes in Net Assets | |
| Operating revenues (operating revenues are pledged against revenue bonds) | \$102,453,764 |
| Operating expenses | |
| Depreciation | (6,275,608) |
| Other | (87,131,443) |
| Operating income (loss) | 9,046,713 |
| Nonoperating revenues (expenses) | |
| Investment income | 1,450,003 |
| Operating grants and contributions | 465 |
| Disposition of assets | 41,539 |
| Interest expense and fiscal charges | (1,928,015) |
| Capital contributions | - |
| Transfers in (out) | (8,760,726) |
| Change in Net Assets | (150,021) |
| Net Assets, beginning | 90,080,421 |
| Net Assets, ending | \$ 89,930,400 |

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

Condensed Statement of Cash Flows

| | | |
|--|--|---------------------|
| Net cash provided (used) by | | |
| Operating activities | | \$ 17,355,852 |
| Noncapital financing activities | | (4,801,727) |
| Capital and related financing activities | | (11,157,865) |
| Investing activities | | <u>131,156</u> |
| Net increase | | \$ 1,527,416 |
| Cash and cash equivalents, beginning | | <u>4,461,709</u> |
| Cash and cash equivalents, ending | | <u>\$ 5,989,125</u> |

Segment information for the Utilities System Enterprise Fund for the fiscal year ended April 30, 2008, follows:

| | Total | Electric | Gas | Water | Waste Water |
|-------------------------|---------------------|---------------------|---------------------|--------------------|--------------------|
| Operating revenues | \$102,453,764 | \$ 76,397,241 | \$ 15,203,183 | \$ 6,373,099 | \$ 4,480,241 |
| Operating expenses | | | | | |
| Depreciation | (6,275,608) | (2,322,435) | (1,317,645) | (1,098,951) | (1,536,577) |
| Other | <u>(87,131,443)</u> | <u>(57,825,732)</u> | <u>(16,930,051)</u> | <u>(5,786,087)</u> | <u>(6,589,573)</u> |
| Operating income (loss) | \$ 9,046,713 | \$ 16,249,074 | \$ (3,044,513) | \$ (511,939) | \$(3,645,909) |

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

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

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

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

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

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

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

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

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

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

- (a) The payment of all reasonable expenses of administration, operation, and maintenance of the Utilities System.
- (b) The maintenance of the Sinking Funds established pursuant to the bond resolutions sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds and any additional pari passu bonds issued hereafter in the manner provided by the bond ordinance, as they severally become due and payable, by transferring from the Utilities System Fund to the Sinking Funds established pursuant to the bond resolutions, monthly in advance on or before the 20th day of each month of each year, a sum equal to 1/6th of the interest falling due on the next interest payment date, and a sum equal to 1/12th of principal falling due on the

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. The depository for the Sinking Funds shall transfer from said Sinking Funds to the paying agent bank or banks for all bonds payable from said Fund at least one day in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

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

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

- (c) The maintenance of the Capital Additions and Contingencies Fund established pursuant to the bond resolutions to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the Utilities System by transferring from said Utilities System Fund to the Capital Additions and Contingencies Fund established by the bond resolutions, monthly on or before the 20th day of each month of each year, a sum equal to nine percent (9%) of the gross revenues of the Utilities System for the preceding month, provided that such sum is available after provision is made for the payments required under paragraphs (a), (b), and (c) above. Such payments into the Capital Additions and Contingencies Fund shall continue until such time as there has been accumulated in said Fund the sum of one million dollars (\$1,000,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of one million dollars (\$1,000,000), in which event such payments shall be resumed and continue until

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

said maximum of one million dollars (\$1,000,000) is again accumulated. In addition to caring for extensions, additions, improvements, renewals, and replacements necessary to properly operate the Utilities System, the money in the Capital Additions and Contingencies Fund shall also be used to pay the principal of and the interest on the bonds, including any additional pari passu bonds issued hereafter in the manner provided by the bond ordinance, for the payment of which there is not sufficient money in the Sinking Fund and Reserve Fund described in paragraphs (b) and (c) above, but the money in said Capital Additions and Contingencies Fund shall never be used for the making of improvements and extensions to the Utilities System or for payment of principal or interest on Bonds, if the use of said money will leave in said Capital Additions and Contingencies Fund for the making of emergency repairs or replacements less than the sum of twenty-five thousand dollars (\$25,000).

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

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

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

15. Utilities System Fund Power Purchase Contract Commitment

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

Notes to Financial Statements

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

16. Defined Benefit Pension Plans

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

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

Municipal Police Employees' Retirement System of Louisiana (MPERS)

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

Funding Policy and Annual Pension Costs. Members are currently required to contribute seven and one-half percent (7.50%) of their annual salary to the system, including supplemental pay. The City contributes an actuarially determined rate, presently set at thirteen and three-fourths percent (13.75%) of the member's salary, including supplemental pay. The City's contributions to MPERS, for the fiscal years ended April 30, 2008, 2007, and 2006, were \$1,213,033, \$1,241,817 and \$1,276,015, respectively.

Firefighters' Retirement System of Louisiana (FRS)

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

Funding Policy and Annual Pension Costs. Members are currently required to contribute eight percent (8%) of their annual salary, including supplemental pay to the Plan. The City contributes an actuarially determined rate, presently at thirteen and three-fourths percent (13.75%) of the member's salary, including supplemental pay. The City's contributions to FRS, for the fiscal years ended April 30, 2008, 2007, and 2006, were \$829,568, \$833,455 and \$929,067, respectively.

Louisiana State Employees' Retirement System (LASERS)

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

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

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

Funding Policy and Annual Pension Costs. Judges, court officers, and legislators contribute eleven and one-half percent (11.50%) of their salary to the System. The City contributes an actuarially determined rate, presently set at twenty and four-tenths percent (20.40%) of the member's annual salary. The City's contributions to LASERS for the years ended April 30, 2008, 2007, and 2006 were \$7,992, \$7,148 and \$6,735, respectively.

Parochial Employees' Retirement System of Louisiana (PERSL)

Plan Description. The only member of this System from the City of Alexandria is the Clerk of City Court. Participants become fully vested after ten (10) years of service. Any member is eligible for normal retirement at age sixty (60) with at least ten (10) years of creditable service, at age fifty-five (55) with twenty-five (25) years of creditable service, or at any age with at least thirty (30) years of creditable service. The retirement benefit, payable monthly for life, is equal to three percent (3%) of the member's final-average

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

salary for each year of creditable service not to exceed the greater of one hundred percent of final salary (last 12 months) or final average compensation. Final average salary is the employee's average salary over the thirty-six (36) consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefit and contribution requirements are established by state law. PERSL issues a publicly available financial report that may be obtained by writing to the Parochial Employees' Retirement System, P.O. Box 14619, Baton Rouge, LA 70898-4619.

Funding Policy and Annual Pension Costs. The member contributes nine and one-half percent (9.50%) of their salary to the System. The City presently contributes twelve and three-fourths percent (12.75%) to the System as an employer match. The City's contributions to PERSL, for the fiscal years ended April 30, 2008, 2007, and 2006, were \$3,061, \$2,970 and \$2,869, respectively.

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

City of Alexandria Employees' Retirement System (COAERS)

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

Funding Policy and Annual Pension Cost. For the COAERS, employees are required by statute to contribute ten percent (10%) of their salary to the System. The City is required by statute to contribute remaining amounts necessary to finance the COAERS at an actuarially determined rate currently set at twenty eight and two-tenths percent (28.20%). The City's contributions to COAERS, for the fiscal years ended April 30, 2008, 2007, and 2006, were \$5,218,293, \$5,239,889 and \$4,775,745, respectively.

Firemen's Pension and Relief Fund (FPARF)

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

Funding Policy and Annual Pension Cost. For the FPARF, members are not required to contribute to the funds. The City is required to contribute an amount sufficient to meet the operating deficit of each fund without regard for reserve requirements accruing or having accrued on an actuarial basis. The City's contributions to FPARF for the years fiscal ended April 30, 2008, 2007, and 2006, were \$20,000, \$20,000 and \$20,000, respectively.

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

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

| | <u>COAERS</u> | <u>FPARF</u> |
|-------------------------------|--|--------------|
| Contribution rate | | |
| City | 28.20% | n/a |
| Plan members | 10.00% | n/a |
| Annual pension cost | \$ 5,218,923 | \$ 20,000 |
| Contributions made | \$ 5,218,923 | \$ 20,000 |
| Actuarial valuation date | 12/31/07 | n/a |
| Actuarial cost method | Frozen Entry Age Normal | n/a |
| Remaining amortization period | 12 years | n/a |
| Asset valuation method | Three year smoothing for stocks. Other assets at amortized cost. | n/a |
| | <u>COAERS</u> | <u>FPARF</u> |
| Actuarial assumptions | | |
| Investment rate of return | 8.00% | n/a |
| Projected salary increases | 5.50% | n/a |
| Includes inflation rate of | 3.25% | n/a |
| Includes merit raises at | 2.25% | n/a |
| Cost of living adjustments | None | n/a |

Three Year Trend Information

| | <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-----------------------|------------------------|--|--|---------------------------------------|
| City of Alexandria | 04/30/08 | \$ 5,218,923 | 100% | \$ - |
| Employees' Retirement | 04/30/07 | 5,239,889 | 100 | - |
| System | 04/30/06 | 4,775,745 | 100 | - |
| Firemen's Pension | 04/30/08 | \$ 20,000 | 100% | \$ - |
| and Relief Fund | 04/30/07 | 20,000 | 100 | - |
| | 04/30/06 | 20,000 | 100 | - |

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

17. Defined Contribution Pension Plan

The City sponsors a defined contribution plan (the Plan) available to unclassified employees who elect to participate. The Plan is administered by a third party administrator. The City's covered payroll for employees participating in the Plan for the current year was \$689,264. Employer contributions for the fiscal year were \$152,070 or approximately fifteen percent (15%) of covered payroll. Employees do not contribute to the plan.

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

18. Post employment benefits

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

The City Council extends post employment medical insurance benefits to qualifying employees. Eligibility of retirement is achieved upon completion of thirty (30) years with the City (any age), twenty-five (25) years of service (if age 55 or older), twenty (20) years of service (if age 60 or older), or ten (10) years of service (if 62 or older). In all cases, coverage is limited until the retiree becomes eligible for Medicare coverage. Currently the City provides post employment benefits to sixty-eight (68) retired employees. This post employment benefits plan, a single employer defined benefit plan, provides retirees with a partially self funded medical insurance plan with a preferred provider organization (PPO) benefits administered by United Healthcare.

Contribution Rates. Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. Following is the monthly premium cost sharing for retirees and the City for 2008 as determined by the City Council of the City of Alexandria:

| <u>United Healthcare</u> | <u>City</u> | <u>Employee</u> | <u>Total</u> |
|--------------------------|-------------|-----------------|--------------|
| Active: | | | |
| Employee Only | \$ 355.50 | \$ 55.17 | \$ 410.67 |
| Employee and Spouse | \$ 728.30 | \$ 169.50 | \$ 897.80 |
| Employee and Children | \$ 486.08 | \$ 185.44 | \$ 671.52 |
| Employee and Family | \$ 981.67 | \$ 297.67 | \$ 1,279.34 |
| Retired: | | | |
| Employee Only | \$ 108.97 | \$ 301.70 | \$ 410.67 |
| Employee and Spouse | \$ 238.26 | \$ 659.54 | \$ 897.80 |
| Employee and Children | \$ 178.20 | \$ 493.32 | \$ 671.52 |
| Employee and Family | \$ 339.49 | \$ 939.85 | \$ 1,279.34 |

Funding Policy. Until 2006, the City recognized the cost of providing post-employment medical benefits (the City's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2008, the City's portion of health care funding cost for retired employees totaled \$312,991.

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

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

Annual Required Contribution. The City's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is equal to the normal cost plus an amount necessary to amortize the Unfunded Actuarial Liability (UAL) over a period of thirty (30) years. A level dollar, closed amortization period has been used. The total ARC for the fiscal year beginning May 1, 2007, is \$540,795, as set forth below:

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

Net Post-employment Benefit Obligation (Asset). The table below shows the City's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending April 30, 2008:

| | | |
|--|----|-----------|
| Beginning Net OPEB Obligation (Asset) 5/1/2007 | \$ | 295,419 |
| Annual required contribution | | 540,795 |
| Interest on Net OPEB Obligation (Asset) | | - |
| ARC Adjustment | | - |
| OPEB Cost | | 540,795 |
| Contribution | | - |
| Current year retiree cost paid | | (312,991) |
| Current Change in Net OPEB Obligation | | 227,804 |
| Ending Net OPEB Obligation (Asset) 4/30/2008 | \$ | 523,223 |

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

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual Cost Contributed | Net OPEB Liability (Asset) |
|-------------------|---------------------|--|----------------------------------|
| April 30, 2007 | \$ 540,795 | 45.4% | \$ 295,419 |
| April 30, 2008 | 540,795 | 57.9% | 227,804 |
| | | | \$ 523,223 |

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

Funded Status and Funding Progress. In the fiscal year ending April 30, 2008, the City made no contributions to its post employment benefits plan trust since such a trust had not been established. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of May 1, 2006, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$4,410,029, which is defined as that portion, as determined by a particular actuarial cost method (the City uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2007/2008, the entire actuarial accrued liability of \$4,410,029 was unfunded.

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

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

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

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

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

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

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

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

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

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

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

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

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

the retired loss ratio has been 130%. Since GASB Statement 45 requires the use of unblended rates for the actuarial valuation, the valuation used the adjusted unblended retiree rates as the basis of projection of future OPEB medical costs.

19. Leases

A. City as Lessee

On March 29, 1995, the City entered into a lease agreement with the England Economic and Industrial Development District (EEIDD) to lease the natural gas, water, and waste water systems located within the England Airpark. The term of the lease is for twenty (20) years beginning March 29, 1995 and ending March 28, 2015. The lease agreement provides that the City shall pay the EEIDD as rent under the lease five percent (5%) of gross charges for service billed to customers located within the Airpark boundaries including gross charges billed to the EEIDD. Lease payments are due to the EEIDD on May 15th and November 15th. It is not possible to determine the future minimum rental payments due under this lease. During the current period, the City paid EEIDD \$70,591 under the terms of the lease representing fiscal year ended April 30, 2007 and 2008 obligations.

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

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

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

B. City as Lessor

The City is the lessor of property under operating leases expiring in various years. The following is a summary of property on lease at April 30, 2008:

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

Total lease revenues for the fiscal year, consisting solely of minimum rentals on the above leases, amounted to \$147,722.

City of Alexandria, Louisiana
April 30, 2008

Notes to Financial Statements

As of the balance sheet date, certain lease payments on the Convention Center Complex were delinquent and the lessee was in default with the terms of the lease. Minimum future rentals to be received on Startek building lease as of April 30, 2008, for each of the next five years and in the aggregate are:

| <u>Year ended April 30,</u> | <u>Amount</u> |
|------------------------------|-------------------|
| 2009 | \$ 119,870 |
| Thereafter | - |
| Total Minimum Future Rentals | <u>\$ 119,870</u> |

20. Compensation Paid to Members of The City Council

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following report reflects compensation paid to members of the City Council, City of Alexandria, for the fiscal year ended April 30, 2008.

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

21. Deficit Balance - Non-Major Individual Fund

The self insurance risk management fund had a deficit fund balance of \$538,648 at April 30, 2008. The deficit was primarily due to the actuarial accrual for claims incurred but not paid at year end. Management intends to provide additional funding from other various funds in the future to offset the deficit.

22. Contingencies

Management has not calculated the possible rebate of arbitrage interest, as of April 30, 2008, on each of the recent tax exempt bond issues. The contingent liability, stated simply, is the interest earned from the investment of unspent bond proceeds that is in excess of the amount of earnings that would have been obtained had the investment rate been equal to the yield on the bonds. Since the rebate calculation is a cumulative calculation performed until all proceeds have been expended, management believes that the amount of the contingent liability for arbitrage interest, if any, will be eliminated in future years. In the event that the contingent liability for arbitrage interest is not eliminated, the City will be liable for remittance of the rebate amount, as subsequently calculated, to the federal government.

On August 19, 1983, the City of Alexandria entered into a merger contract with the Municipal Police Employees' Retirement System (MPERS). The purpose of the merger was to transfer all active policemen who were then participating in the City's Policemen's Pension and Relief Fund into the state wide retirement system. In conjunction with the merger of active policemen with MPERS, the City entered into a private agreement, "No Loss of Benefit Guarantee," with the local policemen which guaranteed that no member would lose any rights or benefits that the member would have been entitled to under the Policemen's Pension and Relief Fund. There are potential claims where certain retired employees may file an action against the City as a result of this merger. The essence of the unasserted claims is the position of

City of Alexandria, Louisiana

April 30, 2008

Notes to Financial Statements

certain retired police officers that some have a significant difference in benefits received from MPERS and the benefits that would have been received under the old Policemen's Pension and Relief Fund due to the fact that under MPERS overtime is not considered in computing retirement benefits. There are significant questions as to whether there is an actual obligation that the City would owe. If there is no obligation, then the City would be prohibited by the state constitution from responding to the unasserted claims.

23. Compliance With Bond Ordinance No. 56-2003

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

1. A statement in detail of the income and expenditures of the Utilities System for such fiscal year. *See Exhibit H, Page 26.*
2. A balance sheet as of the end of such fiscal year. *See Exhibit G, Page 25.*
3. The accountant's comments regarding the manner in which the Issuer has carried out the requirements of this Bond Ordinance, and the accountant's recommendations for any changes or improvements in the operation of the Utilities System or the method of keeping the records related thereto. *See Special Letter, Page 95-96.*
4. A list of the insurance policies in force at the end of the Fiscal year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy. *See Schedule 5, Pages 75-76.*
5. The number of metered water, gas, electric and sewerage customers and the number of unmetered water, gas, electric, and sewerage customers, if any. *See Schedule 4, Page 74*
6. Description of the withdrawal of any Utilities System user comprising 4% or more of Utilities System sales measured in terms of revenue dollars, since the last audit. *None.*
7. An analysis of additions, replacements, and improvements to the physical properties of the Utilities System, including a description of any significant facility retirements or expansions planned or undertaken since the last audit. *See Note 6 to Financial Statements, Pages 45-47.*

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OTHER REQUIRED
SUPPLEMENTARY
INFORMATION

Required Supplemental Information - Part II

**City of Alexandria, Louisiana
General Fund
Budgetary Comparison Schedule
For the Year Ended April 30, 2008**

Schedule 1

Variance with
Final Budget -
Positive
(Negative)

| | Budgeted Amounts | | Actual | |
|---|----------------------|----------------------|----------------------|---------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Property taxes | \$ 2,107,000 | \$ 2,260,000 | \$ 2,288,764 | \$ 28,764 |
| Sales taxes | 7,100,000 | 7,800,000 | 7,293,839 | (506,161) |
| Other | 200,000 | 200,000 | 311,641 | 111,641 |
| Intergovernmental | 1,485,635 | 2,030,570 | 2,346,468 | 315,898 |
| Fees, commissions, and fines | 606,000 | 780,700 | 838,815 | 58,115 |
| Licenses and permits | 2,298,200 | 2,598,200 | 2,889,762 | 291,562 |
| Charges for services | 208,430 | 245,430 | 263,810 | 18,380 |
| Investment earnings | 125,000 | 525,000 | 413,571 | (111,429) |
| Miscellaneous | 252,815 | 348,805 | 590,451 | 241,646 |
| Total Revenues | <u>14,383,080</u> | <u>16,788,705</u> | <u>17,237,121</u> | <u>448,416</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 9,403,857 | 11,203,484 | 10,407,744 | 795,740 |
| Public safety | 23,802,329 | 25,650,974 | 24,997,534 | 653,440 |
| Public works | 10,741,921 | 10,785,661 | 10,075,756 | 709,905 |
| Capital outlay | 2,925,751 | 3,405,821 | 2,799,290 | 606,531 |
| Debt service | | | | |
| Principal | 885,000 | 885,000 | 875,000 | 10,000 |
| Interest and other charges | 962,607 | 962,607 | 972,607 | (10,000) |
| Total Expenditures | <u>48,721,465</u> | <u>52,893,547</u> | <u>50,127,931</u> | <u>2,765,616</u> |
| Deficiency of Revenues over Expenditures | <u>(34,338,385)</u> | <u>(36,104,842)</u> | <u>(32,890,810)</u> | <u>3,214,032</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 32,294,992 | 35,953,983 | 36,147,405 | 193,422 |
| Transfers out | (4,410,645) | (3,753,473) | (3,919,365) | (165,892) |
| Proceeds from sale capital assets | - | 11,000 | 62,454 | 51,454 |
| Total Other Financing Sources (Uses) | <u>27,884,347</u> | <u>32,211,510</u> | <u>32,290,494</u> | <u>78,984</u> |
| Net Change in Fund Balances | (6,454,038) | (3,893,332) | (600,316) | 3,293,016 |
| Fund Balances, Beginning of Year | <u>18,388,178</u> | <u>18,388,178</u> | <u>18,388,178</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 11,934,140</u> | <u>\$ 14,494,846</u> | <u>\$ 17,787,862</u> | <u>\$ 3,293,016</u> |

See independent auditor's report.

City of Alexandria, Louisiana
City Sales Tax Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended April 30, 2008

Schedule 2

Variance with
Final Budget -
Positive
(Negative)

| | Budgeted Amounts | | Actual | |
|---|------------------|---------------|---------------|-------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Sales taxes | \$ 31,250,000 | \$ 33,750,000 | \$ 34,715,829 | \$ 965,829 |
| Total Revenues | 31,250,000 | 33,750,000 | 34,715,829 | 965,829 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (31,250,000) | (33,750,000) | (34,815,788) | (1,065,788) |
| Total Other Financing Sources (Uses) | (31,250,000) | (33,750,000) | (34,815,788) | (1,065,788) |
| Net Change in Fund Balances | - | - | (99,959) | (99,959) |
| Fund Balances, Beginning of Year | 163,691 | 163,691 | 163,691 | - |
| Fund Balances, End of Year | \$ 163,691 | \$ 163,691 | \$ 63,732 | \$ (99,959) |

See independent auditor's report.

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Supplemental Information

City of Alexandria, Louisiana
 Schedule of Expenditures of Federal Awards
 For the Year Ended April 30, 2008

Schedule 3

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal CFDA Number | Pass-through Grant Number | Award Amount | Amount Expended | Amount Provided Subrecipients |
|--|---------------------------|------------------------------|---------------------|---------------------|-------------------------------------|
| U.S. Department of Housing and Urban Development | | | | | |
| Community Planning and Development | | | | | |
| Direct | | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | | \$ 2,917,700 | \$ 692,270 | \$ 15,533 |
| Home Investment Partnership Program | 14.239 | | 1,797,001 | 250,429 | |
| Passed-through the State of Louisiana | | | | | |
| Emergency Shelter Grants Program | 14.231 | CFMS # 610781 & 636071 | 156,824 | 82,254 | 69,020 |
| Agency Totals | | | 4,871,525 | 1,024,953 | 84,553 |
| U.S. Department of Justice | | | | | |
| Bureau of Justice Assistance | | | | | |
| Passed-through the State of Louisiana | | | | | |
| Edward Byrne Memorial Formula Grant Program | 16.579 | B07-3-009 | 70,000 | 16,286 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | B-06-3-008 | 50,412 | 36,757 | - |
| Office of Justice Programs | | | | | |
| Direct | | | | | |
| Operation Weed and Seed | 16.595 | | 175,000 | 64,512 | - |
| Community Prosecution and Project Safe Neighborhoods | 16.609 | | 18,265 | 12,074 | - |
| Agency Totals | | | 313,677 | 129,629 | - |
| U.S. Department of Transportation | | | | | |
| Federal Transit Administration | | | | | |
| Direct | | | | | |
| Federal Transit Formula Grants | 20.507 | | 2,900,771 | 672,190 | - |
| National Highway Traffic Safety Administration | | | | | |
| Passed-through the State of Louisiana | | | | | |
| State and Community Highway Safety | 20.600 | PT 07-35-00 | 57,000 | 22,775 | - |
| State and Community Highway Safety | 20.600 | PT 08-11-00 | 52,438 | 22,164 | - |
| Total - CFDA 20.600 | | | 109,438 | 44,939 | - |
| Agency Totals | | | 3,010,209 | 717,129 | - |
| U.S. Department of Homeland Security | | | | | |
| Passed through the State of Louisiana | | | | | |
| Law Enforcement Terrorism Prevention Program | 97.074 | 2006-GE-T6-0069 | 90,885 | 90,885 | - |
| Passed through the Rapides Parish Police Jury | | | | | |
| Assistance to Firefighters Grant | 97.044 | 2005-GE-T5-0004 | 9,800 | 9,300 | - |
| Agency Totals | | | 100,685 | 100,185 | - |
| TOTALS | | | \$ 8,296,096 | \$ 1,971,896 | \$ 84,553 |

Note:

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

See independent auditor's report.

**City of Alexandria, Louisiana
Utilities System Enterprise Fund
Unaudited Summary of Utility Service Customers
April 30, 2008**

Schedule 4

| <u>Type of Service</u> | <u>Number of Customers April 30, 2008</u> |
|------------------------|---|
| Electricity | 24,540 |
| Water | 21,374 |
| Gas | 16,600 |
| Waste water | 17,188 |

See independent auditor's report.

City of Alexandria, Louisiana
Unaudited Listing of Insurance in Force
April 30, 2008

Schedule 5
(Continued)

Property

Insurer: The Travelers Insurance Companies
Expiration date: May 6, 2008
Coverage:
Real property, comprising buildings, and personal property
Self-insured retention:
\$100,000 per occurrence deductible
Policy limits of liability:
\$250,000,000 per occurrence with specified sublimits

Boiler and Machinery

Insurer: Continental Casualty Company
Expiration date: May 6, 2008
Coverage:
Comprehensive boiler and machinery coverage including production machines
Loss retention:
Varies with a minimum of \$50,000 per occurrence
Policy limits of liability:
\$25,000,000 per accident with specified sublimits

General Liability/Law Enforcement

Insurer: Clarendon America Insurance Company
Expiration date: May 6, 2008
Coverage:
Bodily injury and property damage, personal and advertising injury,
and law enforcement liability
Self-insured retention:
\$500,000 each and every loss and/or claim and/or occurrence
Policy limits of liability:
\$1,000,000 each and every loss and/or occurrence Combined Single Limit
\$3,000,000 in the aggregate annually as respects products/completed operations.
Public Officials Errors and Omissions
Coverage:
Any actual or alleged error or misstatement, omission, act of neglect or breach
of duty including misfeasance, malfeasance and non-feasance by the Insured;
includes actual or alleged violations of US or state constitutions or any law
affording protection for civil rights

See Independent Auditor's Report.

City of Alexandria, Louisiana
Unaudited Listing of Insurance in Force
April 30, 2008

Schedule 5
(Concluded)

Employee Benefits Liability

Insurer: Clarendon America Insurance Company

Expiration date: May 6, 2008

Coverage:

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

Self-insured retention:

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

Policy limits of liability:

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

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

Specific Excess Workers' Compensation and Employers Liability Indemnity

Insurer: Safety National Casualty Company

Expiration date: May 6, 2008

Coverage:

Workers' compensation - statutory

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

Loss retention:

\$500,000 per occurrence

Policy limits of liability:

Workers' compensation - statutory

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

Public Officials Bond

Insurer: Western Surety Bond

Expiration Date: September 9, 2008

Coverage: Mayor

Policy limits of liability: \$100,000

Fidelity Bond

Insurer: Fidelity and Deposit Company of Maryland

Expiration date: May 21, 2008

Coverage: Tax Collector

Policy limits of liability: \$10,000

Public Employees Honesty Bond

Insurer: Fidelity and Deposit Company of Maryland

Expiration date: September 1, 2008

Coverage:

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

Loss retention: \$1,000 per occurrence

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

See Independent Auditor's Report.

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

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
Established 1946

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

The Honorable Mayor and City Council
City of Alexandria, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Louisiana, as of and for the year ended April 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 10, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control of the City of Alexandria, Louisiana over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the internal control of the City of Alexandria, Louisiana. We consider the deficiencies described in Finding 2008-01 through Finding 2008-06 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.





PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council
City of Alexandria, Louisiana

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider Finding 2008-01 and Finding 2008-02 to be material weaknesses.

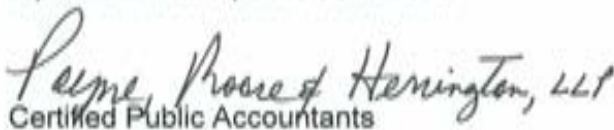
We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Alexandria, Louisiana, in a separate letter, entitled *Other Comments and Recommendations*, dated November 10, 2008.

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 instances of noncompliance or other matters required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs in Finding 2008-06 to Finding 2008-09.

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

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


Certified Public Accountants

November 10, 2008

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



PAYNE, MOORE & HERRINGTON, LLP

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

The Honorable Mayor and City Council
City of Alexandria, Louisiana

Compliance

We have audited the compliance of the City of Alexandria, Louisiana, with the types of compliance requirements described in the U.S. Office Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management of the City of Alexandria, Louisiana. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Alexandria, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2008.





PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council
City of Alexandria, Louisiana

Internal Control Over Compliance

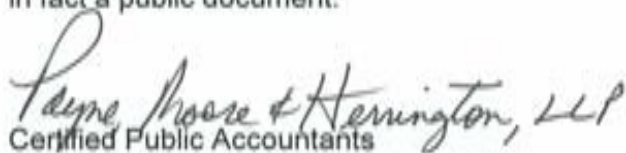
The management of the City of Alexandria, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City's internal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

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

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

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

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


Certified Public Accountants

November 10, 2008

**City of Alexandria, Louisiana
Schedule of Findings and Questioned Costs
for the Year Ended April 30, 2008**

Part I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

| | | | |
|--|---------------|-----|----------------------------|
| Internal control over major programs: | | | |
| Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> No |
| Significant deficiency(ies) identified not considered to be material weaknesses? | <u> </u> | Yes | <u> X </u> None reported |
| Type of auditor's report issued on compliance for major programs: | Unqualified | | |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? | <u> </u> | Yes | <u> X </u> No |
| Identification of major programs: | | | |
| CFDA # 20.507 Federal Transit - Formula Grants | | | |
| CFDA # 14.218 Community Development Block Grants/Entitlement Grants | | | |
| Dollar threshold used to distinguish between Type A and Type B programs | \$300,000 | | |
| Auditee qualified as a low-risk auditee? | <u> </u> | Yes | <u> X </u> No |

**City of Alexandria, Louisiana
Schedule of Findings and Questioned Costs
for the Year Ended April 30, 2008**

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

Finding 2008-01

Purchasing Procedures

Criteria: The objectives of internal controls are to provide management with reasonable assurance that assets are safeguarded against loss and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. It is our understanding that the City's purchasing procedures requires that a department obtain an approved purchase requisition from the purchasing department prior to submitting an order for materials and supplies.

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

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

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

Finding 2008-02

City Utility Accounts

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

Condition: The various city departments are charged each month for utilities consumed through the normal utility billing process. The various city departments "pay" for their utilities each month through a routine process that results in recognition of the utility expense in the department and transferring a corresponding amount of cash to the utility system. During the current year, certain city utility accounts were not paid using this process and the balances continued to accumulate during the year. By year end, the General Fund owed the Utility System Fund over \$350,000 relating to these accounts. While the receivable was recorded on the Utility System Fund's books, the corresponding liability was not recorded on the General Fund's books as of April 30, 2008. In June and July 2008, city personnel discovered the errors and initiated the process to pay the outstanding balances. The year-end liability was subsequently recorded, as of April 30, 2008, on the General Fund's books by audit adjustment.

Cause of Condition: Utility office personnel were apparently never informed that these utility accounts for the Riverfront Center and the Alexandria Museum of Art were converted to city accounts. In addition, there is a design deficiency in the controls used to monitor the payment of city utility accounts by the various departments.

Recommendations: Formal procedures should be established to communicate changes in the status of the utility accounts for the various departments to ensure proper payment of these accounts. The controls used to monitor the payment of city utility accounts needs to be improved.

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

**City of Alexandria, Louisiana
Schedule of Findings and Questioned Costs
for the Year Ended April 30, 2008**

Finding 2008-03

Utility Rate Codes

Criteria: Customer utility rates are established by ordinance. Internal control procedures should be established to ensure that customers are charged the correct rate.

Condition: In a sample of forty customer accounts, we located one residential account being charged an incorrect electric rate. The customer was charged using a commercial electric rate instead of a residential electric rate. The error appears to be isolated.

Cause of the Condition: Rate codes are established by premises. Once established, the rate codes remain the same as customers move in and out of the premises. In this instance, a commercial electric code was entered for the premises instead of the residential electric rate code. The current control procedure calls for a visual check of the rate codes by a team leader. However, we were informed that the visual check is not always made.

Recommendation: We recommend that the established procedure be followed in all instances. In addition, we recommend that the Information Systems Department create a program to test for incompatible rates such as one rate for a premises being in-town and another rate being out-of-town or for one rate for a premises being residential and another rate for the same premises being commercial.

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

Finding 2008-04

Supporting Documentation - Invoices Paid

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

Condition: During the current period payments were made to a local paint store for miscellaneous paint and supplies in even amounts of \$2,500, \$2,500 and \$2,000 without proper documentation supporting the purchases. Similar payments were made in the previous year without proper documentation. Although each payment is supported by a purchase order and an invoice from the paint store, details of the items purchased do not accompany the invoice. Management has indicated that it appears that use of the purchase order and subsequent payments were in essence an "open purchase order" which under the current purchasing policies is not allowable.

Recommendation: All expenditures should be adequately documented with supporting information identifying the actual items purchased.

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

**City of Alexandria, Louisiana
Schedule of Findings and Questioned Costs
for the Year Ended April 30, 2008**

Finding 2008-05

Pay to Retired Policeman

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

Condition: A policeman whom retired during the current year was paid vacation hours totaling 801. The payment was approved by an individual within the police department under guidance provided by outside legal counsel not employed by the City. The payroll department did not request additional guidance or approval from management. It is our understanding that the contract with policemen provides that a total of 528 vacation hours may be accumulated. Such accrued compensation is normally paid upon retirement. Although the payment may be allowable due to circumstances in this instance, management was unaware of this transaction and suggested that internal legal counsel should have been consulted to determine if payment for the total vacation hours was appropriate.

Recommendations: Internal control procedures should include that payments not within the confines of the contract require additional approval by a department head such as the Director of Finance.

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

Finding 2008-06

Contract Workers vs Employee Relationship

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

Condition: We noted that several individuals (some of which have a contract for services with the City) are paid every two weeks for standard eighty (80) hours per pay period. Some of these may not meet the guidelines established by the Internal Revenue Service in the determination of Employer-Employee Relationship: Employee versus Independent Contractor. Basically, the standards are as follows:

A person is an employee if the relationship between that person and the person for whom he performs services is the common-law relationship between employer and employee. This relationship exists when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished but also as to how the result is accomplished. An employee must be subject to the will and the control of the employer concerning not only what is to be done but how it is to be done.

The Internal Revenue has established guidelines consisting of twenty tests to be applied in making this determination.

Recommendation: We recommend that existing contracts and employment relationships be reviewed in accordance with the guidelines to determine if the City is meeting the standards. Failure to meet the standards may subject the City to penalties and payment of certain employment taxes.

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

**City of Alexandria, Louisiana
Schedule of Findings and Questioned Costs
for the Year Ended April 30, 2008**

Finding 2008-07

Alexandria Museum of Art

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

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

On September 1, 2006, Louisiana State University (LSU) obtained the use of the premises known as the Alexandria Museum of Art. On December 15, 2006, the City of Alexandria and LSU entered into an interagency agreement by which LSU will grant the use of one office space to the City, in consideration for which the City will provide utilities and parking on adjoining City property to the Museum. The consideration provided by the City to the Museum appears to exceed the value of the office space. We were informed that no changes occurred during the current year.

Effect: It is our understanding that the provision of utilities with little or no effort made to collect for the utilities provided may be a violation of Article 7, Section 14 of the Louisiana Constitution. Also, the provision of utilities and parking spaces to the Museum with an apparent value much greater than the value of the office space received for these services may be a violation of Article 7, Section 14 of the Louisiana Constitution. We noted no specific collection efforts during the current period and we were informed that the City has not been provided office space at the facility.

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

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

Finding 2008-08

Theft Allegation

Condition: In September 2008, management informed us of an allegation of theft of cash from the utility billing and collection office totaling less than \$1,000 that occurred over several months. Management indicated that suspect was arrested and that the allegation is being investigated by the police department. Management indicated that new procedures have been implemented to prevent a reoccurrence of the incident. Management has advised that all of the proper authorities and the Legislative Auditor's office have been notified.

Recommendations: The new procedures implemented by management to prevent a reoccurrence of the incident are adequate. No additional recommendations are required.

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

**City of Alexandria, Louisiana
Schedule of Findings and Questioned Costs
for the Year Ended April 30, 2008**

Finding 2008-09

Possible Bid Law Violation

Criteria: R.S. 38:2212.1 requires purchases of materials and supplies of \$20,000 or greater be advertised and let by contract to the lowest bidder. It is our understanding that this provision applies if the City can reasonably expect to purchase more that \$20,000 of a particular type of materials or supplies within the fiscal year.

Condition: The City purchased over \$100,000 of algaecide for the waste water treatment department during the year ending April 30, 2008. Bids were not obtained for these chemicals in accordance with R.S. 38:2212.1. Documents furnished by the City indicated that the treatment plant experienced an increase in total suspended solids due to an abundant algae bloom. The algaecide was necessary in order for the City to not exceed discharge permit limits for the waste water treatment plant. However, the purchases were not certified as an emergency in accordance with R.S. 38:2212. The City's Purchasing Manager indicated that he believed that bids should have been obtained for the purchase of these chemicals in accordance with the City's purchasing policies.

Recommendations: We recommend that the City's purchasing policy be enforced in all cases.

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

City of Alexandria, Louisiana
Schedule of Findings and Questioned Costs
for the Year Ended April 30, 2008

Part III - Findings and Questioned Costs for Federal Awards

None Reported

Other Comments and Recommendations



PAYNE, MOORE & HERRINGTON, LLP

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Other Comments and Recommendations

The Mayor and City Council
City of Alexandria, Louisiana

In planning and performing our audit of the basic financial statements of the City of Alexandria, Louisiana, as of and for the year ended April 30, 2008, we considered the City's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and compliance. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report, dated November 10, 2008 contains our report on reportable conditions on the City's internal control. This letter does not affect our report, dated November 10, 2008 on the basic financial statements of the City of Alexandria, Louisiana.

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

Payne, Moore & Herrington, LLP
Certified Public Accountants

November 10, 2008



Memorandum of Other Comments and Recommendations

Finding 2008-10

Approval of Travel Vouchers

Condition: We noted four instances whereby Form T-1 documentation for approval of travel incurred by employees was not completed prior to the event and four additional instances whereby form T-2 was not completed and filed with accounting within thirty (30) days to document the actual expenditures after travel was incurred.

Criteria: The City's travel policy provides in part the following language "Upon return from travel, each employee will submit an approved Travel Voucher with front and back complete with all necessary receipts, and a copy of the Travel Authorization, within 30 days after the travel was completed."

Recommendation: Employees should be periodically reminded of the travel policy and monitored by Department Heads for compliance with the City's policy.

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

Finding 2008-11

Lease Agreements

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

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

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

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

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

Finding 2008-12

Authorized Check Signers

Condition: While reviewing authorized check signers on the various bank accounts of the City and based on information provided by the banking institution, we noted that several individuals that are no longer affiliated with the City continue to be listed as authorized to sign checks on behalf of the City.

Cause: Additional individuals have been added as authorized to sign on behalf of the City based on employment changes however a request has apparently not been made to remove some individuals no longer affiliated with the City.

Memorandum of Other Comments and Recommendations

Recommendation: Authorizations on file for each bank account should be reviewed and appropriate changes communicated to the banking institutions.

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

Finding 2008-13

Documentation of Utility Billing Office Procedures

Condition: In performing tests of controls related to the utility billings and collections office, and in performing interviews with various office personnel, we noted that many of their procedures are not well documented. While we noted that employees had a good understanding of their duties and a good understanding of the procedures they performed, these procedures are not always documented in writing. Discussion with office personnel indicated that certain procedures had not been reviewed for possible improvement for a number of years.

Recommendation: We recommend a comprehensive review of controls at the utility billing and collection office with the ultimate goal being the creation of a written policies and procedures manual. Documentation should include the consideration of the entity-level controls (control environment, risk assessment, and information and communication processes) as well as the activity-level controls and related monitoring.

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

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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The Honorable Mayor and City Council
City of Alexandria, Louisiana

RE: Resolution Number 2341-1982
Requirement of specific
recommendations

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

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

- 1) Prepare and approve an annual operating budget of the Combined Utilities System based upon the best criteria of revenue and expense estimates that can be reasonably developed.
- 2) Provide for budgetary control on a line item basis and monitor budget variances on a current basis. Amendments should be addressed for any unusual exceptions as they are encountered.
- 3) Provide projected monthly cash flow schedules with comparisons to actual, prior, and current amounts. Any unusual variances should be investigated.
- 4) Maintain current and accurate accounting records relative to financial activity of the system.
- 5) Reconcile subsidiary ledgers to appropriate general ledger control accounts on a current basis.
- 6) Provide for a complete review of the accounting trial balance and underlying transactions on a current basis for obvious posting errors. Investigate and/or correct unusual items as needed.
- 7) Update utility rate studies as practical and adjust rates as necessary to provide adequate revenues to meet budgeted needs.
- 8) Implement other recommendations, if any, relative to the Combined Utilities System as noted in our accompanying schedule of findings and questioned costs.

Payne Moore & Herrington, LLP
Certified Public Accountants

November 10, 2008

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

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

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

H. FRED RANDOM, C.P.A.



Management's Corrective Action Plan

**City of Alexandria, Louisiana
Management's Corrective Action Plan
Year Ended April 30, 2007**

The City of Alexandria, Louisiana respectfully submits the following corrective action plan for the year ended April 30, 2008.

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

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

Audit Period: May 1, 2007 through April 30, 2008

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

| Section I: Findings Relating to the Financial Statements Which are Required to be Reported Under Government Auditing Standards | |
|---|---|
| Finding 2008-01 | Purchasing Procedures |
| Response | Copies of the purchasing policies will be sent to all departments to remind them of the proper purchasing procedures. Letters will also be sent to vendors to make sure they are aware of our purchase order policy. Employees who violate the purchasing procedures and policies will be subject to disciplinary action. |
| Finding 2008-02 | City Utility Accounts |
| Response | Copies of contracts or cooperative agreements will be forwarded to the customer service manager. A revision of the operating procedures for the customer service center is underway and will address this with a written policy. |
| Finding 2008-03 | Utility Rate Codes |
| Response | As noted in the finding, this appears to be an isolated error. An exception report has been developed to identify future discrepancies. |
| Finding 2008-04 | Supporting Documentation – Invoices Paid |
| Response | Department managers have been instructed as to proper documentation requirements for future purchases in accordance with our purchasing policies. Accounts payable staff has been instructed to review invoices for proper documentation prior to payment. |
| Finding 2008-05 | Pay to Retired Policeman |
| Response | Any payments made to retirees that do not fit within the limits of established policies, must be reviewed and approved by the Director or Assistant Director of Finance prior to payment being issued. |

**City of Alexandria, Louisiana
Management's Corrective Action Plan
Year Ended April 30, 2007**

| | |
|-----------------|--|
| Finding 2008-06 | Contract Workers vs Employee Relationship |
| Response | The existing relationships have been reviewed. Of the four contractors in question, one contract has been terminated and replaced with a civil service position, the other two are being converted to employees and the contractual relationship will be cancelled, and an RFP will be issued for the services of the fourth. We are making the necessary changes to be in compliance. Future contractual relationships will be reviewed by the Director of Finance, City Attorney, and Chief Operations Officer for compliance. |
| Finding 2008-07 | Alexandria Museum of Art |
| Response | The City Attorney will send a demand letter to the debtor. On the issue of office space rent, the administration and museum management are working on a revised cooperative endeavor agreement with increased deliverables. |
| Finding 2008-08 | Theft Allegation |
| Response | All over/short notices issued by the bank are now sent directly to the customer service manager and accounting department. |
| Finding 2008-09 | Possible Bid Law Violation |
| Response | Purchasing Policies will be reviewed with all managers, as well as policies and procedures for emergency purchases. The purchasing manager has been instructed to enforce purchasing policy and procedures at all times and report any suspected violations or attempted violations. |

| | |
|---|--|
| Section II: Findings and Questioned Costs for Federal Awards | |
| None reported. | |

**City of Alexandria, Louisiana
Management's Corrective Action Plan
Year Ended April 30, 2007**

**Section III:
Other Comments and Recommendations
(Management Letter)**

| | |
|-----------------|--|
| Finding 2008-10 | Approval of Travel Vouchers |
| Response | Copies of travel policy and procedures will be given to all managers for distribution to all employees. |
| Finding 2008-11 | Lease Agreements |
| Response | The Administration is working with the Louisiana Department of Health and Hospitals to enter into a long term lease with no retroactive liability to the municipality. |
| Finding 2008-12 | Authorized Check Signers |
| Response | A letter requesting removal of outdated authorized signatures has been sent to the fiscal agent for the City of Alexandria |
| Finding 2008-13 | Documentation of Utility Billing Office Procedures |
| Response | A comprehensive review and rewriting of the policies and procedures for the customer service office is underway and is expected to be completed before the end of the fiscal year. |

Management's Schedule of Prior Year Findings

**City of Alexandria, Louisiana
Management's Schedule of Prior Year Findings
For the Year Ended April 30, 2008**

| Part II: | | |
|--|--|---|
| Internal Control And Compliance Material to the Financial Statements | | |
| Finding 2007-01 | Enforcement of Delinquent Utility Customer Accounts Policy | Resolved. |
| Finding 2007-02 | Utility Customer Penalty Exempt Accounts | Resolved. |
| Finding 2007-03 | Purchasing Policies | Partially Resolved. See Finding 2008-01. |
| Finding 2007-04 | Alexandria Museum of Art | Not Resolved. See Finding 2008-07. |
| Part III: | | |
| Internal Control and Compliance Material to Federal Awards | | |
| Finding 2007-5 | Allowable costs | Resolved. |
| Section III: | | |
| Other Comments and Recommendations (Management Letter) | | |
| Finding 2007-06 | Waiver of Non-Payment Penalty | Resolved. |
| Finding 2007-07 | Executed Contracts | Resolved. |
| Finding 2007-08 | Lease Agreements | Not Resolved. See Finding 2008-11. |

