

# **City of Alexandria, Louisiana**

## **Financial Report**

**April 30, 2011**

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

Release Date **NOV 30 2011**

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Table of Contents**

	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
<hr/>		
<b>Financial Section</b>		
Independent Auditor's Report.....		1-2
<hr/>		
<b>Required Supplemental Information - Part I</b>		
Management's Discussion and Analysis.....		3-16
<hr/>		
<b>Basic Financial Statements</b> .....		17
<hr/>		
<b>Government-Wide Financial Statements (GWFS)</b> .....		18
Statement of Net Assets.....	A	19
Statement of Activities.....	B	20
<hr/>		
<b>Fund Financial Statements</b> .....		21
<hr/>		
Balance Sheet - Governmental Funds.....	C	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	D	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	E	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	F	25
Statement of Net Assets - Proprietary Funds.....	G	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds.....	H	27
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	28
Statement of Cash Flows - Proprietary Funds.....	J	29-30
Statement of Fiduciary Net Assets - Fiduciary Funds.....	K	31
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	L	32
<hr/>		
<b>Notes to Financial Statements</b> .....		33-69
<hr/>		

City of Alexandria, Louisiana  
April 30, 2011

**Table of Contents**

	<u>Schedule</u>	<u>Page</u>
<b>Required Supplemental Information - Part II</b> .....		70
General Fund - Budgetary Comparison Schedule .....	1	71
City Sales Tax Special Revenue Fund - Budgetary Comparison Schedule .....	2	72
<b>Supplemental Information</b> .....		73
Schedule of Expenditures of Federal Awards .....	3	74-75
Utilities System Enterprise Fund -		
Unaudited Summary of Utility Service Customers .....	4	76
Unaudited Listing of Insurance in Force .....	5	77-78
<b>Other Reports Required By Government Auditing</b>		
<b>Standards and OMB Circular A-133</b> .....		79
Report on Internal Control Over Financial Reporting and on Compliance		
and Other Matters Based on an Audit of Financial Statements		
Performed in Accordance with <i>Government Auditing Standards</i> .....		80-82
Report on Compliance with Requirements Applicable		
to Each Major Program and Internal Control Over		
Compliance in Accordance with OMB Circular A-133 .....		83-85
Schedule of Findings and Questioned Costs .....		86-91
<b>Other Comments and Recommendations</b> .....		92-94
<b>Special Letter</b>		
Re: Resolution Number 2341-1982 Requirement of		
Specific Recommendations .....		95-96
<b>Management's Corrective Action Plan</b> .....		97-99
<b>Management's Schedule of Prior Year Findings</b> .....		100-101



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, 2011, 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, 2011, 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 our report dated October 25, 2011, on our consideration of the City of Alexandria's internal control over financial reporting 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Honorable Mayor and City Council  
City of Alexandria, Louisiana

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 70 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alexandria's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for 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 also not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The accompanying summary of utility service customers and 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 do not express an opinion or provide any assurance on them.

*Payne, Moore & Herrington, LLP*  
Certified Public Accountants

October 25, 2011

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**Required Supplemental Information –  
Part I**

**Management's Discussion and Analysis**

**City of Alexandria, Louisiana  
Management's Discussion and Analysis  
Year ended April 30, 2011**

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Our discussion and analysis of the City of Alexandria's financial performance provides an overview of the City's financial activities for the fiscal year ended April 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 17. For ease of understanding, figures are rounded to the nearest tenth of \$1 million.

### **Financial Highlights**

- The City's assets exceeded liabilities by \$286.8 million. Of this total, \$23.0 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 \$2.6 million during the 2011 Fiscal Year. This is the net result of an increase of \$3.4 million in net assets from governmental activities offset by a decrease of \$.8 million in net assets from business activities.
- Unrestricted net assets increased by \$2.3 in Fiscal 2011. This is the net result of an increase of \$3.2 million from governmental activities offset by a decrease of \$.9 million from business type activities.
- Unrestricted fund balance in the General Fund is \$17.0 million, which amounts to approximately 34% of the expenditures of the General Fund in Fiscal 2011.
- The City's long-term debt decreased by \$5.2 million, the net effect of issuing \$1.7 million in new debt offset by scheduled payments of existing debt.

### **Overview of the Financial Statements**

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

### **Reporting On The City As A Whole**

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

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

**City of Alexandria, Louisiana**  
**Management's Discussion and Analysis**  
**Year ended April 30, 2011**

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

- ***Governmental funds*** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following these fund financial statements.
- ***Proprietary funds*** - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail. We use internal service funds (the other component of proprietary funds) to report activities that provide 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, 2011**

**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 31 and 32. 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 2011 and 2010:

<p style="text-align: center;">City of Alexandria, LA Condensed Statement of Net Assets (in millions) April 30, 2011 and April 30, 2010</p>						
	2011	2010	2011	2010	2011	2010
	Governmental		Business		Total	
<b>Assets</b>						
Current & Other Assets	77.8	83.9	24.0	22.9	101.9	106.8
Restricted Assets	0	0	13.0	14.9	13.0	14.9
Capital Assets	174.1	169.0	123.3	123.4	297.4	292.4
<b>Total Assets</b>	<b>251.9</b>	<b>252.9</b>	<b>160.3</b>	<b>161.2</b>	<b>412.3</b>	<b>414.1</b>
<b>Liabilities</b>						
Current Liabilities	14.3	15.1	7.9	7.8	22.2	22.9
Long Term Liabilities	64.9	68.5	38.5	38.6	103.4	107.1
<b>Total Liabilities</b>	<b>79.2</b>	<b>83.6</b>	<b>46.4</b>	<b>46.4</b>	<b>125.6</b>	<b>130.0</b>
<b>Net Assets</b>						
Invested in Capital Assets (Net)	148.3	145.0	89.6	89.2	237.9	234.2
Restricted	22.2	25.2	3.7	3.9	25.9	29.1
Unrestricted	2.3	(0.9)	20.7	21.6	23.0	20.7
<b>Total Net Assets</b>	<b>172.8</b>	<b>169.3</b>	<b>114.0</b>	<b>114.7</b>	<b>286.8</b>	<b>284.0</b>

As of April 30, 2011 the City's net assets total \$286.8 million, showing an increase of about 1% over the 2010 total of \$284.0 million. Roughly 83% of the City's total net assets reside in the Invested in 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

**City of Alexandria, Louisiana**  
**Management's Discussion and Analysis**  
**Year ended April 30, 2011**

intended to be sold. Restricted assets account for \$25.9 million, or 9%, 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 \$23.0 million, or 8%, of net assets is unrestricted and is available for appropriation.

The following table is a condensed version of the Statement of Activities displaying 2011 and 2010:

City of Alexandria, LA  
Condensed Statement of Activities (In Millions)  
April 30, 2011 and April 30, 2010

	2011	2010	2011	2010	2011	2010
	Governmental		Business		Total	
<b>Revenues</b>						
Program Revenues:						
Charges for Services, Fines, Fees	4.3	4.2	105.8	106.6	110.1	110.8
Grants & Contributions	5.6	4.3	2.0	3.4	7.6	7.7
General Revenues:						
Sales Taxes	41.0	41.4			41.0	41.4
Other Taxes	8.1	7.9			8.1	7.9
Other	1.0	1.2	.1	.2	1.1	1.4
Total Revenues	60.0	59.0	107.9	110.2	167.9	169.2
<b>Expenses</b>						
General government	11.5	14.3			11.5	14.3
Public safety	29.6	26.2			29.6	26.2
Public works	17.4	23.9			17.4	23.9
Community and economic development	2.3	1.4			2.3	1.4
Interest on long-term debt	2.9	3.0	1.6	1.5	4.5	4.5
Electricity			60.8	53.5	60.8	53.5
Gas			12.8	15.4	12.8	15.4
Water			7.3	8.1	7.3	8.1
Wastewater			7.9	8.6	7.9	8.6
Transit			3.5	3.2	3.5	3.2
Sanitation			4.4	4.0	4.4	4.0
Zoological Park			2.0	2.0	2.0	2.0
Golf Course			1.0	1.1	1.0	1.1
Hotel Operating			.3	1.3	.3	1.3
Total Expenses	63.7	68.8	101.6	98.7	165.3	167.5
Change in Net Assets before transfers	-3.7	-9.8	6.3	11.5	2.6	1.7
Transfers	7.1	5.2	-7.1	-5.2	0.0	0.0
Increase (Decrease) in Net Assets	3.4	-4.6	-8	6.3	2.6	1.7

**City of Alexandria, Louisiana**  
**Management's Discussion and Analysis**  
**Year ended April 30, 2011**

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The City's total revenues were \$167.9 million and total expenses were \$165.3 million for Fiscal 2011. This results in an increase of net assets before transfers of \$2.6 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 \$3.4 million in Fiscal 2011, as opposed to a decrease of \$4.6 million in Fiscal 2010. Examining the expenses for the 2 years, we see that they are down from \$68.8 million in 2010 to \$63.7 million in 2011, roughly a 7% difference. We see an increase of \$3.4 million in Public Safety, a decrease of \$6.5 million in Public Works, a \$2.8 million decrease in General Government, a \$.9 million increase in Community Development and a \$.1 million decrease in Interest on Long Term Debt. Revenues are the lesser change from the prior year reflecting an increase of \$1.0 million. Grants and Contributions are up \$1.3 million, mostly in the area of operating grants. Sales Taxes are down \$.4 million, while Other Taxes are up \$.2 million. 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. Expenditures in the combined capital projects were actually down by over \$3.2 million for Fiscal 2011 compared to the prior year, reflected mostly in Public Works activities.

Business-type Activities net assets decreased \$.8 million for Fiscal 2011, compared to the increase in the prior year of \$6.3 million. Expenses are up from \$98.7 million in 2010 to \$101.6 million in Fiscal 2011, an increase of nearly 3%. This increase is largely due to Electric Fuel Cost, the City's cost for purchasing electricity for sale to customers, which increased from the prior year by approximately \$7.2 million. This is partially offset by Gas Fuel cost reflecting a decrease of \$2.2 million compared to the prior year. Water and wastewater expenses decreased roughly \$.3 million each; while Professional fees decreased \$1.9 million. Other minor changes round out the differences in expenses. Transfers to the Governmental Activities are \$7.1 million in Fiscal 2011 compared to \$5.2 million in the prior year. Revenues are down from \$110.2 million in 2010 to \$107.9 in 2011. The largest categorical change is in Grants and Contributions, showing a decrease of \$1.4 million. Most of the remaining difference is found in Charges for Services which decreased \$.8 million compared to the prior year.

The City was recovering on its annual fuel adjustment in Fiscal 2010, but rebating in Fiscal 2011, meaning decreasing the current fuel cost as an adjustment for prior fuel cost. Gas Fuel Cost was rebating in both years. 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 up \$3.5 million compared to the prior year, while Gas Fuel Cost Recovery is actually down \$2.1 million compared to the prior year.

### **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 2011 with an increase in Unreserved Fund Balance of about \$4.8 million. In short, the General Fund took in more than it spent by this amount. In order to see the change, a comparison of revenues and expenditures of Fiscal 2011 and 2010 is needed.

**City of Alexandria, Louisiana  
Management's Discussion and Analysis  
Year ended April 30, 2011**

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Revenues increased by \$.6 million, nearly 4%. Significant changes include increase in Taxes of \$.2 million and Intergovernmental of \$.5 million. Other changes in Licenses and Permits along with Charges for Services make up the remaining difference. Transfers In are substantially the same as the previous year. Expenditures and Transfers Out decreased \$6.1 million when compared to the previous year. This is due to a variety of factors. General Government reflects a decrease of \$1.9 million; Public Safety an increase of \$.8 million, and Public Works a decrease of \$.6 million. Operating Capital (purchases of vehicles, equipment, etc.) is down by \$1.1 million in Fiscal 2011. Transfers Out are down roughly \$3.3 million from the previous year as the General Fund decreased its support of other funds such as Sanitation, while the deficit support for the Zoo Fund and Golf Course Funds was shifted to the Utilities System Fund in an effort to conserve resources.

Overall, the increase in General Fund revenue was helpful, but the reduction in expenditures by virtually every department in the General Fund is the real contributor to the increase in Fund Balance for Fiscal 2011. Although this appears favorable in the short term, some costs such as routine maintenance and replacement of equipment cannot be deferred indefinitely without dire consequences such as system and equipment failures.

**General Fund Budgetary Highlights**

The original budget of the General Fund reflects the City's plan and financial intent at the beginning of the fiscal year. This is routinely adjusted during the year to better reflect actual revenues available and actual expenditures incurred. The City does its most comprehensive adjustment at Major Budget Amendment (MBA). Revenues and Transfers In were adjusted resulting in a net increase of slightly more than \$2.3 million (4.61%). The category of Intergovernmental Revenue had an increase of \$1.6 million consisting primarily in recognition of grant funds. Taxes was another major factor with increases for Property and Franchise taxes totaling \$.4 million; while Licenses and Permits were increased nearly \$.2 million. Other minor changes in Revenues and Transfers In account for the remaining difference. The City originally budgeted -0- in use of fund balance for Fiscal 2011, and finished the year with a budgeted use of \$25,000. This represents the lowest budgeted Use of Fund Balance in the General Fund in over a decade.

Budgeted Expenditures and Transfers Out were adjusted up during the year by \$2.3 million due to a variety of factors. Overtime in the various departments was increased \$.5 million; Capital Outlay was increased \$.7 million, and Vehicle Fuel and Maintenance line items were increased for nearly \$.3 million. Utilities and Telephone line items were increased by a combined total of \$.2 million; while Contract Labor and Professional Fees were increased by \$.1 million. Other relatively minor changes account for the remainder.

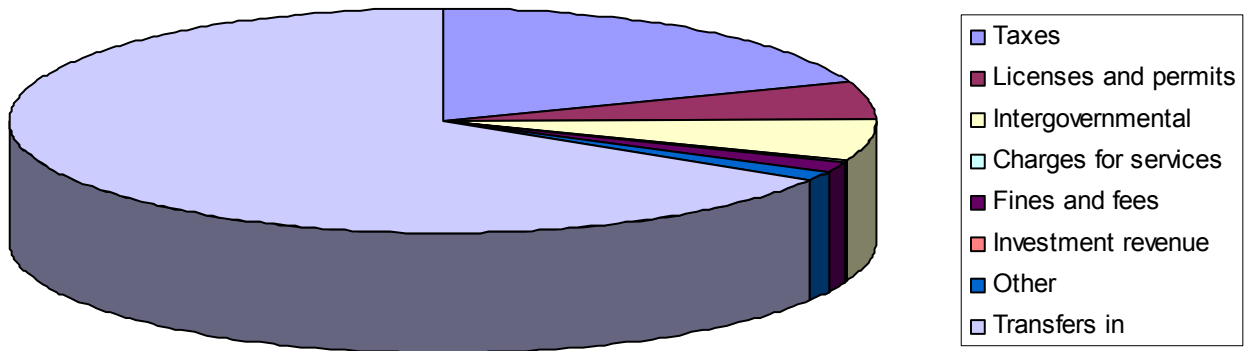
Fortunately, the City did not even use the \$25,000 in fund balance budgeted for Fiscal 2011; but, as previously noted, actually increased fund balance by \$4.8 million. Actual revenues and transfers in exceeded budgeted figures by nearly \$2.3 million, and actual expenditures were about \$2.5 million less than budgeted expenditures. There were various offsets in the revenues, but the greatest factors were combined Sales Taxes coming in nearly \$1.5 million above the budgeted figure; while the Cost Allocations, i.e. reimbursements from other funds for services rendered by the General Fund, came in at \$.5 million above budget. Other Taxes came in about \$.2 million above budget, accounting for most of the remainder. 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 \$1.3 million in reduced expenditures, even after adjusting budgets down at Major Budget Amendment. The combined budgets for utilities in the General Fund exceeded actual expenditures by roughly \$.4 million. 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, 2011**

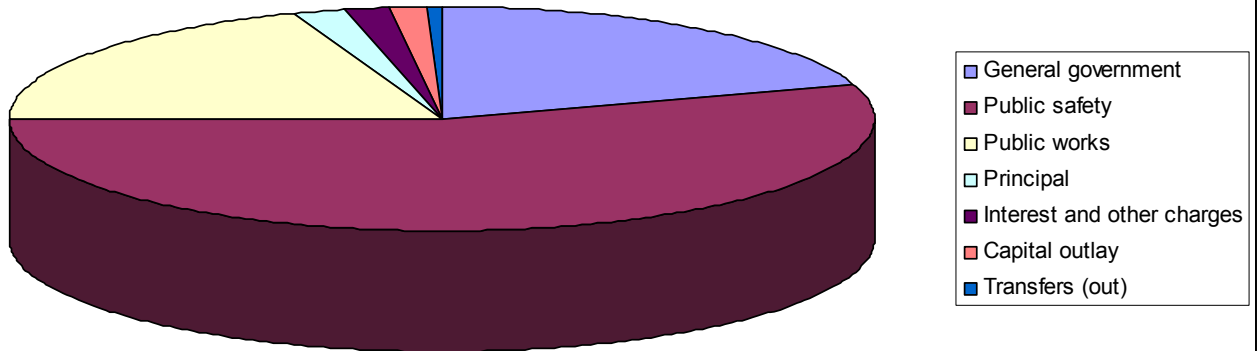
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The following charts represent the actual sources and uses of General Fund monies for Fiscal 2011:

**General Fund Sources**



**General Fund Uses**



**City of Alexandria, Louisiana  
Management's Discussion and Analysis  
Year ended April 30, 2011**

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**City Sales Tax Fund**

The City Sales Tax Fund showed a decrease of \$.5 million, or 1.50% in revenues and a decrease of \$.5 million, or 1.47% in Transfers Out compared to the prior year. Although not substantial, the downward trend reflecting the local economy is certainly not a welcome development, and Fiscal 2011 is the second year in a row reflecting a decrease in revenues for the City Sales Tax Fund. 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 substantially the same as the prior year as reductions in the Transfer in from the City Sales Tax Fund were partially offset by net increases in revenue sources.

Expenditures and Transfers Out for Fiscal 2011 are \$1.5 million higher than 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. Significant progress was achieved in multiple projects in Fiscal 2011, including Woodale Drainage Improvements, Ellis & Paul Streets Drainage, and Culpepper/Llewellyn Drainage.

Overall fund balance decreased \$.8 million.

**General Capital Projects 2008 Sales Tax Bonds Fund**

This fund was created in Fiscal 2009. It represents the proceeds of a bond issue done by the City in the amount of \$25 million. Bonds issued for capital projects are often temporary, meaning they exist only until the proceeds are spent. The sole Revenue for this fund in 2011 was Investment Revenue for less than \$.1 million. Expenditures for 2011 totaled \$2.5 million and included such projects as Masonic Drive Corridor and Lincoln Road Improvements. The net effect was a decrease in Fund Balance of roughly \$2.4 million, leaving a remaining Fund Balance of approximately \$17.8 million.

**General Capital Projects 2008 Limited Tax Bond Fund**

This fund was also created in Fiscal 2009. It represents the proceeds of a bond issue done by the City in the amount of \$15 million. The major Revenue for this fund in 2011 was Investment Revenue for less than \$.1 million. Expenditures for 2011 totaled \$2.8 million and included such projects as Residential Drainage Ditch Closures, Extension of Versailles Boulevard, and the Deerfield Park Walking Trail. The net effect was a decrease in Fund Balance of roughly \$2.7 million, leaving a remaining Fund Balance of approximately \$6.1 million.

**City of Alexandria, Louisiana  
Management's Discussion and Analysis  
Year ended April 30, 2011**

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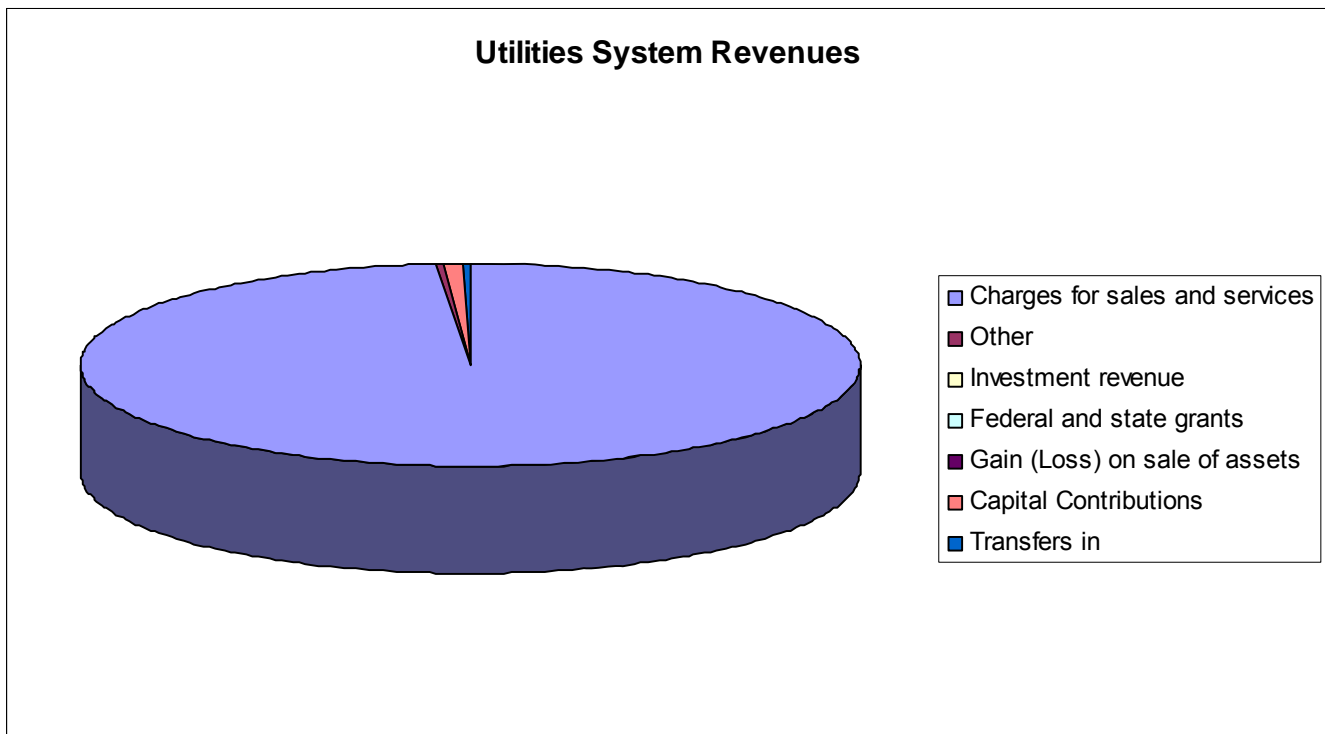
### **Utilities System Fund**

The Utilities System Fund is the largest of the City's proprietary funds, dwarfing the Sanitation Fund, Municipal Transit Fund, Zoo Fund and Golf Course Fund. Revenues in the Utilities System are based primarily on the sales of electricity, water, natural gas, and wastewater service to customers. These revenues, charges for services, are up \$3 million in 2011 compared to the prior year. This is partially 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 up a combined \$1.4 million in Fiscal 2011 compared to the prior year. The remaining \$1.6 million increase in Charges for Services represents actual increase in the sale of utilities services to customers.

Operating expenses are up \$2.8 million in Fiscal 2011 compared to the previous year. The biggest factor here is the expense side of fuel cost, which is up \$5.0 million compared to prior year. It should be noted that whereas the revenue and expense of fuel cost are both up, they are not equal due to timing differences and fluctuations in consumption. This condition can significantly influence the net income or net loss of a given year in the Utilities System Fund. The rise in Fuel Cost is partially offset by decreases in Personnel Costs and Contracted Services of \$.7 million and \$2.1 million respectively. Supplies and Repairs are down a combined total of \$.5 million to complete the major changes in expenses. Transfers Out are up \$.7 million compared to the prior year; partly due to the assumption of deficit support for the Zoo Fund and Golf Course Fund by the Utilities System Fund. Other than fuel cost, expenses are down in the Utilities System Fund as in other funds due to diligent cost cutting measures in response to the economy.

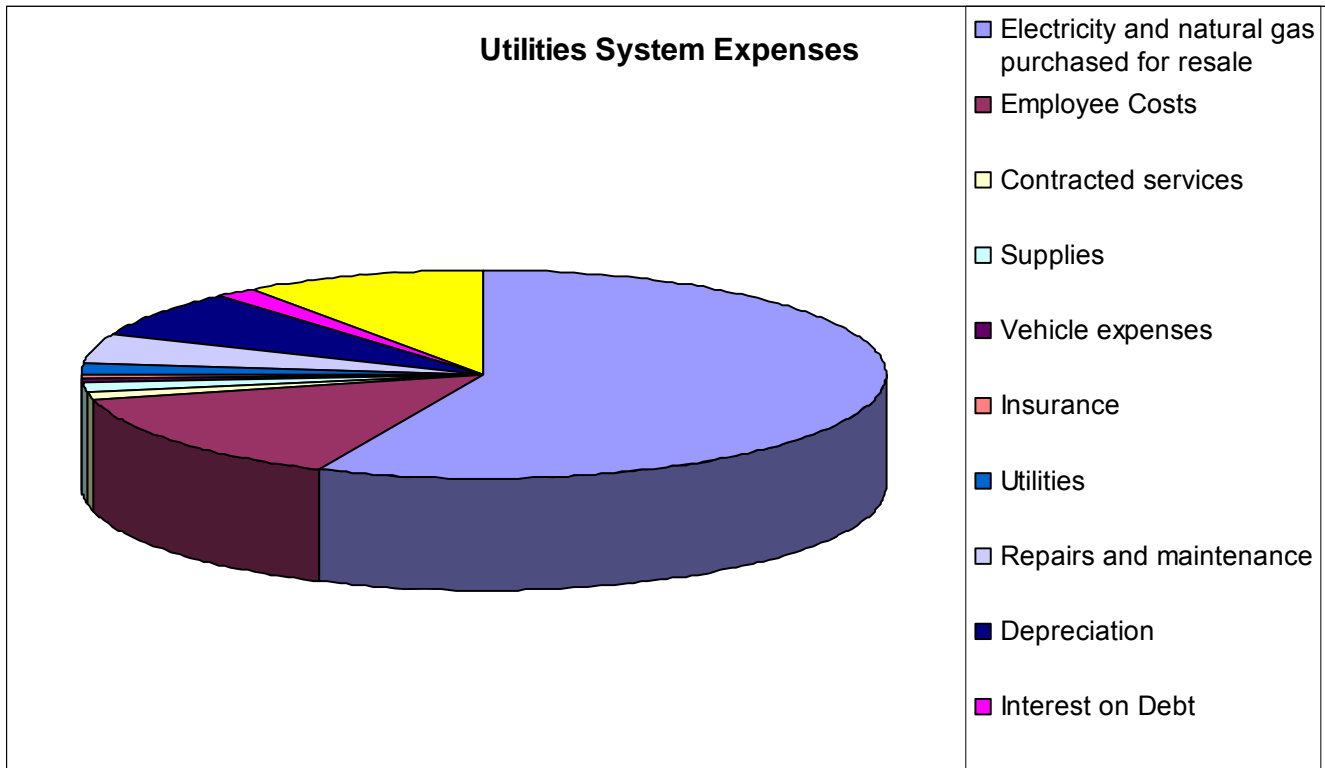
The results of the above were net income to the Utilities System Fund of almost \$1.8 million for Fiscal 2011. This is reflected as an increase in total net assets.

The following charts show the breakdown of revenues and expenses of the Utilities System Fund for Fiscal 2011:



**City of Alexandria, Louisiana  
Management's Discussion and Analysis  
Year ended April 30, 2011**

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**Capital Asset and Debt Administration**

**Capital Assets**

***Governmental Funds***

The City had a net increase of \$5.1 million in capital assets this year in governmental activities. These capital assets would include vehicles, equipment, as well as infrastructure, net of depreciation.

***Business Type Funds***

The Business-type funds showed a net decrease of about \$.1 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.



**City of Alexandria, Louisiana  
Management's Discussion and Analysis  
Year ended April 30, 2011**

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**Capital Assets (Net of Depreciation)**

	<b><u>Governmental</u></b>		<b><u>Business</u></b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Land	14.3	14.3	2.8	2.8
Construction in Progress	12.3	20.9	3.8	18.2
Buildings	62.0	64.1	3.3	3.5
Furniture & Fixtures	0	0	.2	.3
Equipment	4.5	4.6	-	-
Vehicles	2.5	3.6	2.9	3.9
Infrastructure	78.5	61.5	110.3	94.7
Net Capital Assets	174.1	169.0	123.3	123.4

In governmental activities, we see that Construction in Progress decreased roughly \$8.6 million as work was completed on various projects, most notably the Extension of Versailles Boulevard, Bayou Robert @ Landmark Drainage, and Culpepper/Llewellyn Drainage. Buildings and Equipment decreased \$2.1 million and \$.1 respectively as additions did not exceed retirement and depreciation. The same condition can be found in Vehicles showing a decrease of \$1.1 million. Infrastructure increased dramatically by \$17 million primarily due to the previously mentioned completions of several major capital projects.

In business activities, Construction in Progress is down by \$14.4 million due to the completion of a couple of major projects such as the Highway 28 West Pump Station and Sewer Improvements. This also influences the increase of Infrastructure of \$15.6 million as these completed projects are capitalized.

**Debt Administration**

***Governmental Funds***

The City issued no new debt in Governmental Funds during Fiscal 2011. The changes in debt balance merely reflect payments made on the principal.

***Enterprise Funds***

The City issued \$1.7 million in new debt for the Utilities System in 2011. This is in the form of a revolving loan from the State of Louisiana for water improvements. This debt will rise as work is done on the related projects. Other changes in debt balance merely reflect payments made on the principal. For further information on debt, please see Note 10 to the financial statements.

**City of Alexandria, Louisiana  
Management's Discussion and Analysis  
Year ended April 30, 2011**

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**Bonded Long-Term Debt**

	<u>Governmental</u>		<u>Business</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Sales Tax Revenue Bonds	35.3	36.7		
Ad Valorem Tax Bonds	2.8	3.3		
Limited Tax Bonds	11.6	13.0		
Certificates of Indebtedness	12.3	13.3	.5	.7
Utility Revenue Bonds			32.2	34.7
State Revolving Loan			.7	.7
<b>Total Outstanding Debt</b>	<b>62.0</b>	<b>66.3</b>	<b>33.4</b>	<b>36.1</b>

**Future Outlook**

Economic conditions deteriorated during Fiscal 2009 and have continued to deteriorate in Fiscal 2010 and Fiscal 2011. This will adversely affect the City in a multitude of ways. Sales taxes accounted for 63% of General Fund Revenue sources in 2011. Although the first 3 months of Fiscal 2012 show an increase of over 2% in the combined sales taxes, the last 2 fiscal years have shown overall decreases. 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. Sales taxes are expected to remain flat in the near future at best, with the distinct possibility of a decrease. 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. The City belongs to State run pension systems for Police and Fire employees, and the indication from the State is that those will rise in each of the next 4 years, possibly up to 35% of salaries. Health care rates continue to rise for the City as well as most other employers, leading the City to the unpleasant option of either absorbing the additional cost or passing it on the employees. Significant increases are not affordable by either party. The General Fund by its nature is very labor intensive with salaries and fringes amounting to 71% of total expenditures for Fiscal 2011. Any increases in these costs could become extremely burdensome to the General Fund.

In business type activities, the Utilities System Fund shows a net income in Fiscal 2011, although not as great as the prior year. 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 up \$1.4 million while the expense was \$5 million. As previously noted, this difference should even out in the long run, but can cause fluctuations in net income and cash flow in the short run. The combined fuel cost for electricity and gas amounted to 56.7% of expenses and transfers out for Fiscal 2011.

**City of Alexandria, Louisiana  
Management's Discussion and Analysis  
Year ended April 30, 2011**

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**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.

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David L. Johnson, CPA  
Interim Director of Finance  
City of Alexandria, Louisiana

## **Basic Financial Statements**

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

**City of Alexandria  
Alexandria, Louisiana  
Statement of Net Assets  
April 30, 2011**

**Exhibit A**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 5,808,157	\$ 7,608,427	\$ 13,416,584	\$ 1,595,851
Investments	4,276,869	3,000,000	7,276,869	745,244
Equity in pooled cash and investments	57,522,124	1,646,899	59,169,023	-
Receivables	5,760,474	12,285,420	18,045,894	41,737
Internal balances	4,076,391	(4,076,391)	-	20,921
Inventories	284,486	3,279,286	3,563,772	-
Restricted equity in pooled cash and investments	-	13,027,659	13,027,659	-
Prepaid expenses/other assets	113,180	-	113,180	1,931
Deferred bond issue costs	-	292,497	292,497	-
Capital assets, net of depreciation				
Nondepreciable				
Land and improvements	14,261,291	2,789,049	17,050,340	-
Construction in progress	2,359,360	3,815,969	6,175,329	-
Infrastructure in progress	9,919,829	-	9,919,829	-
Depreciable				
Infrastructure	78,469,936	-	78,469,936	-
Other capital assets	69,061,840	116,702,914	185,764,754	179,593
<b>Total Assets</b>	<b>251,913,937</b>	<b>160,371,729</b>	<b>412,285,666</b>	<b>2,585,277</b>
<b>Liabilities</b>				
Bank overdraft	719,977	8,096	728,073	-
Accounts and contracts payable	3,505,041	3,416,149	6,921,190	33,334
Accrued interest	786,850	718,423	1,505,273	-
Salaries payable	1,383,762	731,552	2,115,314	-
Long-term liabilities				
Due within one year				
Bonds, and other	4,600,000	2,818,000	7,418,000	-
Compensated absences	582,309	305,325	887,634	-
Claims and judgments	2,688,859	-	2,688,859	-
Due in more than one year				
Bonds, and other	57,365,000	32,212,706	89,577,706	-
Customer guaranteed deposits	-	4,460,575	4,460,575	-
Compensated absences	3,299,753	1,725,607	5,025,360	-
Claims and judgments	3,379,787	-	3,379,787	-
Other noncurrent liability - net				
Post employment benefit obligation	812,320	-	812,320	-
<b>Total Liabilities</b>	<b>79,123,658</b>	<b>46,396,433</b>	<b>125,520,091</b>	<b>33,334</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	148,251,094	89,541,754	237,792,848	179,593
Restricted for				
Capital projects	15,693,326	1,440,225	17,133,551	-
Debt service	5,582,562	1,296,035	6,878,597	-
Capital additions and contingencies	-	1,000,000	1,000,000	-
Community and economic development	253,972	-	253,972	-
Riverfront Center operations	697,227	-	697,227	-
Unrestricted	2,312,098	20,697,282	23,009,380	2,372,350
<b>Total Net Assets</b>	<b>\$ 172,790,279</b>	<b>\$ 113,975,296</b>	<b>\$ 286,765,575</b>	<b>\$ 2,551,943</b>

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, 2011

Exhibit B

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government				Component Units
	Governmental Activities	Business-Type Activities	Total		
<b>Primary Government</b>					
Governmental activities					
General government	\$ 11,520,697	\$ 338,760	\$ -	\$ (7,023,959)	\$
Public safety	29,612,667	2,052,887	-	(27,559,589)	
Public works	17,434,257	717,171	241,654	(16,299,769)	
Community and economic development	2,333,195	2,284,521	-	(39,886)	
Interest on long-term debt	2,890,169	-	-	(2,890,169)	
Total Governmental Activities	63,790,985	5,393,339	241,654	(53,813,372)	
<b>Business-type activities</b>					
Electricity	60,784,401	78,367,588	-	17,583,187	
Natural gas	12,830,401	10,548,619	-	(2,281,782)	
Water	7,318,670	6,659,392	-	224,701	
Waste water	7,862,210	4,546,786	-	(3,315,424)	
Municipal transit	3,478,753	1,142,285	-	(1,987,037)	
Sanitation	4,398,115	363,545	5,886	(94,010)	
Zoological park	2,032,280	4,304,105	-	(1,751,729)	
Golf course	981,917	280,551	-	(401,899)	
Hotel operating	345,708	577,216	-	(167,478)	
Interest on long-term debt	1,642,512	178,230	-	(1,642,512)	
Total Business-Type Activities	101,674,967	1,142,285	892,667	6,186,017	
Total Primary Government	\$ 165,465,952	\$ 6,535,624	\$ 1,134,321	(47,627,355)	
<b>Component Units</b>					
City Marshal	\$ 273,751	\$ 214,319	\$ -	(59,432)	
City Court	507,583	640,355	-	132,772	
Total Component Units	\$ 781,334	\$ 854,674	\$ -	73,340	
<b>General Revenues</b>					
Taxes					
Property taxes				7,409,412	-
Sales tax				41,013,377	-
Franchise and miscellaneous taxes				708,065	-
Entitlements and shared revenues				91,610	-
Hotel occupancy taxes				334,279	-
Investment earnings				120,518	9,516
Miscellaneous				402,770	57,622
Gain (loss) on sale of assets				307,856	-
Transfers				59,599	-
Total General Revenues and Transfers				-	-
Change in Net Assets				50,326,967	67,138
Net Assets, Beginning of Year				2,699,612	140,478
Net Assets, End of Year				284,065,963	2,411,465
	\$ 172,790,279	\$ 113,975,296	\$ 286,765,575	\$	\$ 2,551,943

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

***Fund Financial Statements***



City of Alexandria  
Alexandria, Louisiana  
Balance Sheet  
Governmental Funds  
April 30, 2011

Exhibit C

	General Fund	City Sales Tax Fund	General Capital Projects Fund	Gen Cap Proj '08 Ltd Tax Bds Fund	Gen Cap Proj '08 ST Bonds Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 545,956	\$ 3,086,978	\$ 20,737	\$ -	\$ -	\$ 2,186,230	\$ 5,839,901
Investments	-	-	-	-	-	5,152,272	5,152,272
Equity in pooled cash and investments	7,872,895	-	14,074,406	6,203,200	18,101,804	2,902,268	49,154,373
Receivables	865,809	2,775,485	141,406	20,901	-	765,677	4,563,278
Due from other governments	513,549	-	-	-	-	246,686	760,235
Due from other funds	9,235,030	-	754,370	-	-	1,546	9,990,946
Inventories	284,486	-	-	-	-	-	284,486
<b>Total Assets</b>	<b>\$ 19,317,525</b>	<b>\$ 5,862,463</b>	<b>\$ 14,990,919</b>	<b>\$ 6,224,101</b>	<b>\$ 18,101,804</b>	<b>\$ 11,254,679</b>	<b>\$ 75,751,491</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Bank overdraft	\$ -	\$ -	\$ 433,500	\$ -	\$ -	\$ 286,184	\$ 719,684
Accounts payable	893,014	-	469,146	113,505	280,970	1,627,620	3,384,255
Accrued expense/other payables	1,374,566	-	-	-	-	7,004	1,381,570
Due to other funds	71,753	5,359,582	-	-	-	482,641	5,913,976
Deferred revenue	-	-	-	-	-	712,308	712,308
<b>Total Liabilities</b>	<b>2,339,333</b>	<b>5,359,582</b>	<b>902,646</b>	<b>113,505</b>	<b>280,970</b>	<b>3,115,757</b>	<b>12,111,793</b>
<b>Fund Balances</b>							
Reserved for	-	-	-	-	-	5,582,562	5,582,562
Debt service	-	-	-	-	-	533,366	4,248,537
Encumbrances	-	-	1,408,302	918,598	1,388,271	-	51,785,605
Unreserved	16,978,192	502,881	12,679,971	5,191,998	16,432,563	-	951,307
Unreserved, reported in non-major	-	-	-	-	-	951,307	951,307
Special revenue funds	-	-	-	-	-	1,071,687	1,071,687
Capital project funds	-	-	-	-	-	8,138,922	63,639,698
<b>Total Fund Balances</b>	<b>16,978,192</b>	<b>502,881</b>	<b>14,088,273</b>	<b>6,110,596</b>	<b>17,820,834</b>	<b>8,138,922</b>	<b>63,639,698</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 19,317,525</b>	<b>\$ 5,862,463</b>	<b>\$ 14,990,919</b>	<b>\$ 6,224,101</b>	<b>\$ 18,101,804</b>	<b>\$ 11,254,679</b>	<b>\$ 75,751,491</b>

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, 2011**

**Exhibit D**

<b>Total Fund Balance, Governmental Funds</b>	<b>\$</b>	<b>63,639,698</b>
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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.		174,072,256
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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.		
Bonds payable		(61,965,000)
Compensated absences		(3,882,062)

Interest on long-term debt is accrued in the Statement of Net Assets, but not in the governmental funds.		(786,850)
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Certain receivables are reported in the Statement of Net Assets but not in the governmental funds.		347,331
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Deferred revenue reported in governmental funds but not in the Statement of Net Assets.		712,308
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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.		652,598
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<b>Net Assets of Governmental Activities in the Statement of Net Assets</b>	<b>\$</b>	<b>172,790,279</b>
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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, 2011

Exhibit E

	General Fund	City Sales Tax Fund	General Capital Projects Fund	Gen Cap Proj '08 Ltd Tax Bds Fund	Gen Cap Proj '08 ST Bonds Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes							
Property taxes	\$ 2,609,035	\$ -	\$ -	\$ -	\$ -	\$ 4,800,377	\$ 7,409,412
Sales taxes	7,334,108	33,679,269	-	-	-	-	41,013,377
Other	708,065	-	-	-	-	334,279	1,042,344
Intergovernmental	3,288,769	-	241,654	-	-	2,284,520	5,814,943
Fees, commissions, and fines	785,319	-	-	-	-	-	785,319
Licenses and permits	2,822,761	-	-	-	-	-	2,822,761
Charges for services	186,072	-	-	-	-	59,584	245,656
Investment earnings	4,808	-	72,203	34,890	92,333	38,872	243,106
Miscellaneous	501,502	-	18,860	20,900	-	211,237	752,499
Total Revenues	18,240,439	33,679,269	332,717	55,790	92,333	7,728,869	60,129,417
<b>Expenditures</b>							
Current							
General government	9,919,438	-	-	-	-	709,974	10,629,412
Public safety	27,456,165	-	-	-	-	-	27,456,165
Public works	9,583,394	-	-	-	-	-	9,583,394
Community and economic development	-	-	-	-	-	2,311,505	2,311,505
Capital outlay	654,698	-	4,626,277	2,795,066	2,511,824	4,423,804	15,010,669
Debt service							
Principal	1,045,000	-	-	-	-	3,345,000	4,390,000
Interest and other charges	804,919	-	-	-	-	2,131,078	2,935,997
Total Expenditures	49,463,614	-	4,626,277	2,795,066	2,511,824	12,921,361	72,317,142
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(31,223,175)	33,679,269	(4,292,560)	(2,739,276)	(2,419,491)	(5,192,492)	(12,197,725)
<b>Other Financing Sources (Uses)</b>							
Transfers in							
Transfers out	38,145,883	-	3,974,842	-	-	5,097,937	45,218,662
Proceeds from sale of assets	(319,582)	(33,674,994)	(445,089)	-	-	(2,132,529)	(36,572,194)
Total Other Financing Sources (Uses)	36,031,301	(33,674,994)	3,529,753	-	-	2,965,408	8,851,468
<b>Net Change in Fund Balances</b>	4,808,126	4,275	(762,807)	(2,739,276)	(2,419,491)	(2,227,084)	(3,336,257)
<b>Fund Balances, Beginning of Year</b>	12,170,066	498,606	14,851,079	8,848,872	20,240,325	10,386,006	66,975,955
<b>Fund Balances, End of Year</b>	\$ 15,978,192	\$ 502,881	\$ 14,088,273	\$ 6,110,596	\$ 17,820,834	\$ 8,158,922	\$ 63,639,698

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, 2011**

**Exhibit F**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>(3,336,257)</b>
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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		12,839,738
Depreciation included in the Statement of Activities		(7,626,837)

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).		(143,998)
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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.		4,390,000
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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:

Interest expense		45,828
Deferred revenue		(56,550)
Compensated absences		(141,170)

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.		(2,523,438)
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>3,447,316</u></b>
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The accompanying notes are an integral part of the financial statements.

**City of Alexandria  
Alexandria, Louisiana  
Statement of Net Assets  
Proprietary Funds  
April 30, 2011**

**Exhibit G**

	Enterprise Funds			Internal Service Funds
	Utilities System	Other Enterprise Funds	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 5,676,556	\$ 58,722	\$ 5,735,278	\$ 85,135
Equity in pooled cash and investments	5,430,301	1,646,899	7,077,200	7,492,348
Receivables (net of allowances for uncollectible)	11,859,714	287,316	11,947,030	83,637
Due from other funds	121,331	1,017,744	1,139,075	-
Due from other governments	72,982	265,409	338,391	-
Inventories	3,279,286	-	3,279,286	-
Prepaid expenses/other assets	-	-	-	113,180
Total Current Assets	28,240,170	3,276,090	29,516,260	7,774,300
Non-Current Assets				
Restricted equity in pooled cash and investments	13,027,659	-	13,027,659	-
Capital assets				
Land and improvements	1,698,084	1,090,965	2,789,049	-
Construction in progress	3,815,969	-	3,815,969	-
Property, plant and equipment	243,153,991	22,385,819	265,539,810	12,041
Less accumulated depreciation	(138,186,888)	(10,650,007)	(148,836,895)	(9,632)
Deferred bond issue costs	292,497	-	292,497	-
Total Non-Current Assets	123,801,312	12,826,777	136,628,089	2,409
Total Assets	150,041,482	16,102,867	166,144,349	7,776,709
Liabilities				
Current Liabilities				
Bank overdraft	-	565,250	565,250	116,880
Accounts payable	2,254,054	143,660	2,397,714	97,749
Salaries payable	575,696	155,853	731,549	2,487
Due to other funds	4,899,508	315,958	5,215,466	579
Compensated absences	250,013	55,312	305,325	-
Certificates of indebtedness	160,000	-	160,000	-
Estimated liability for claims incurred	-	-	-	2,688,859
Totals	8,139,271	1,236,033	9,375,304	2,906,554
Liabilities payable from restricted assets				
Accounts and contracts payable	1,018,439	-	1,018,439	-
Interest	718,423	-	718,423	-
Revenue bonds	2,658,000	-	2,658,000	-
Totals	4,394,862	-	4,394,862	-
Non-Current Liabilities				
Compensated absences	1,416,742	308,865	1,725,607	23,037
Certificates of indebtedness	335,000	-	335,000	-
Customer guaranteed deposits	4,460,575	-	4,460,575	-
Estimated liability for claims incurred	-	-	-	3,379,787
Post employment benefit obligation	-	-	-	812,320
Revenue bonds	31,877,706	-	31,877,706	-
Total Non-Current Liabilities	38,090,023	308,865	38,398,888	4,215,144
Total Liabilities	50,624,156	1,544,898	52,169,054	7,121,698
Net Assets				
Invested in capital assets, net of related debt	89,541,754	12,826,777	102,368,531	2,408
Restricted for debt service	1,296,035	-	1,296,035	-
Restricted for capital additions and contingencies	1,000,000	-	1,000,000	-
Restricted for construction	1,440,225	-	1,440,225	-
Unrestricted	6,139,312	1,731,192	7,870,504	652,603
Total Net Assets	\$ 99,417,326	\$ 14,557,969	\$ 113,975,295	\$ 655,011

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, 2011**

	<b>Enterprise Funds</b>			<b>Exhibit H</b>
	<b>Utilities System</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>				
Charges for services	\$ 99,921,462	\$ 5,703,571	\$ 105,625,033	\$ 9,490,551
Miscellaneous	200,923	19,726	220,649	126,298
Total Operating Revenues	100,122,385	5,723,297	105,845,682	9,616,849
<b>Operating Expenses</b>				
Electricity and natural gas purchases	56,415,128	-	56,415,128	-
Personnel costs	14,405,337	4,757,704	19,163,041	71,206
Contractual and professional services	1,122,236	94,265	1,216,501	1,100,586
Disposal costs	-	1,045,561	1,045,561	-
Utilities	1,559,204	801,620	2,360,824	-
Repairs and maintenance	4,833,066	116,753	4,949,819	-
Vehicle expense	590,264	1,114,734	1,704,998	-
Other supplies and expenses	1,536,642	706,582	2,243,224	1,809
Miscellaneous expenses	-	174,064	174,064	1,958
Payments in lieu of insurance	536,175	279,823	815,998	-
Insurance, claims, and related expenses	-	-	-	11,001,464
Depreciation	7,202,609	1,168,108	8,370,717	2,408
Total Operating Expenses	88,200,661	10,259,214	98,459,875	12,179,431
<b>Operating Income (Loss)</b>	11,921,724	(4,535,917)	7,385,807	(2,562,582)
<b>Nonoperating Revenues (Expenses)</b>				
Investment earnings	107,934	12,584	120,518	39,151
Operating grants and contributions	-	1,145,087	1,145,087	-
Interest expense	(1,642,512)	-	(1,642,512)	-
Gain (loss) on sale of assets	-	-	-	-
Total Nonoperating Revenues (Expenses)	(1,534,578)	1,157,671	(376,907)	39,151
<b>Income (Loss) Before Contributions and Transfers</b>	10,387,146	(3,378,246)	7,008,900	(2,523,431)
Transfers in	-	-	-	-
Transfers out	190,046	2,383,160	2,573,206	-
Capital contributions	(9,636,079)	(1,583,596)	(11,219,675)	-
<b>Change in Net Assets</b>	1,825,092	(2,572,796)	(747,704)	(2,523,431)
<b>Total Net Assets - Beginning of Year</b>	97,592,234	17,130,765	114,722,999	3,178,442
<b>Total Net Assets - End of Year</b>	\$ 99,417,326	\$ 14,557,969	\$ 113,975,295	\$ 655,011

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, 2011**

**Exhibit I**

<b>Change in Net Assets - Enterprise Funds</b>	\$	(747,704)
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**The Change in Net Assets reported for Business-Type Activities in the Statement of Activities are different because:**

<b>Change in Net Assets of Business-Type Activities</b>	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">(747,704)</div>
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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, 2011**

**Exhibit J  
(Continued)**

	<b>Enterprise Funds</b>			
	<b>Utilities System</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 99,029,066	\$ 5,165,682	\$ 104,194,748	\$ 2,016,128
Internal activity - receipts from other funds	1,661,662	-	1,661,662	7,559,826
Other receipts	213,342	99	213,441	-
Payments for personnel costs	(13,917,920)	(4,167,946)	(18,085,866)	(65,387)
Payments to vendors and others	(63,157,765)	(2,316,033)	(65,473,798)	(11,219,400)
Internal activity - payments to other funds	(2,838,711)	(2,668,711)	(5,507,422)	(1,850)
Net Cash Provided (Used) by Operating Activities	20,989,674	(3,986,909)	17,002,765	(1,710,683)
<b>Cash Flows from Noncapital Financing Activities</b>				
Bank overdraft	1,717,702	(57,294)	1,660,408	116,880
Operating grants and subsidies	-	1,469,524	1,469,524	-
Transfers between funds	(9,575,335)	1,485,512	(8,089,823)	71,646
Net Cash Provided (Used) by Noncapital Financing Activities	(7,857,633)	2,897,742	(4,959,891)	188,526
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital grants	892,891	5,886	898,777	-
Interest received on construction funds	12,089	-	12,089	-
Proceeds from sale of capital assets	126,520	-	126,520	-
Acquisition or construction of capital assets	(8,563,422)	(52,666)	(8,616,088)	-
Principal paid on capital debt	(2,610,000)	-	(2,610,000)	-
Interest paid on capital debt	(1,553,558)	-	(1,553,558)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,695,480)	(46,780)	(11,742,260)	-
<b>Cash Flows from Investing Activities</b>				
Net change in equity in pooled cash and investments	(557,435)	1,100,171	542,736	1,504,244
Interest received on operating funds	95,846	12,583	108,429	39,151
Net Cash Provided (Used) by Investing Activities	(461,589)	1,112,754	651,165	1,543,395
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	974,972	(23,193)	951,779	21,238
<b>Cash and Cash Equivalents, Beginning of Year</b>	4,701,584	81,915	4,783,499	63,897
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,676,556</u>	<u>\$ 58,722</u>	<u>\$ 5,735,278</u>	<u>\$ 85,135</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, 2011

Exhibit J  
 (Concluded)

	<u>Enterprise Funds</u>			
	<u>Utilities System</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 11,921,724	\$ (4,535,917)	\$ 7,385,807	\$ (2,562,582)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	7,202,609	1,168,108	8,370,717	2,408
Changes in assets and liabilities				
Receivables	568,340	(59,946)	508,394	(40,895)
Due from other funds	-	(563,517)	(563,517)	-
Inventories	161,235	-	161,235	-
Accounts payable	414,248	(116,518)	297,730	654
Accrued expenses and other current liabilities	18,120	(18,570)	(450)	(28)
Estimated liability for claims incurred	-	-	-	582,493
Post employment benefit obligation	-	-	-	301,420
Compensated absences	490,056	139,451	629,507	5,847
Customer guaranteed deposits	213,342	-	213,342	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 20,989,674</b>	<b>\$ (3,986,909)</b>	<b>\$ 17,002,765</b>	<b>\$ (1,710,683)</b>

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, 2011

Exhibit K

<u>Pension Trust Funds</u>			
	<u>City Employees' Retirement System (12/31/10)</u>	<u>Firemen's Pension and Relief Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,494,198	\$ 9,227	\$ 5,503,425
Receivables			
Interest and dividends	574,487	-	574,487
Investments, at fair value			
Corporate bonds	30,259,145	-	30,259,145
Corporate stocks	64,429,925	-	64,429,925
U.S. Government agency notes	1,017,090	-	1,017,090
Zero coupon treasury receipts	2,595,627	-	2,595,627
GNMA notes	31,766	-	31,766
Certificate of deposit	-	96,298	96,298
Total Investments	<u>98,333,553</u>	<u>96,298</u>	<u>98,429,851</u>
Capital assets			
Furniture, fixtures and equipment-net	1,519	-	1,519
Total Capital Assets	<u>1,519</u>	<u>-</u>	<u>1,519</u>
Total Assets	<u>104,403,757</u>	<u>105,525</u>	<u>104,509,282</u>
<b>Liabilities</b>			
Payroll taxes withheld	510	-	510
Total Liabilities	<u>510</u>	<u>-</u>	<u>510</u>
<b>Net Assets</b>			
Held in trust for pension benefits	<u>\$ 104,403,247</u>	<u>\$ 105,525</u>	<u>\$ 104,508,772</u>

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, 2011

Exhibit L

	<b>Pension Trust Funds</b>		
	<b>City Employees' Retirement System (12/31/10)</b>	<b>Firemen's Pension and Relief Fund</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employer	\$ 5,134,545	\$ 25,000	\$ 5,159,545
Plan members	1,852,350	-	1,852,350
Total Contributions	6,986,895	25,000	7,011,895
Investment earnings			
Net appreciation (depreciation) in fair value of investments	9,043,880	-	9,043,880
Interest	1,790,813	1,175	1,791,988
Dividends	1,454,339	-	1,454,339
Total Investment Earnings	12,289,032	1,175	12,290,207
Total Additions	19,275,927	26,175	19,302,102
<b>Deductions</b>			
Plan benefits	6,532,538	21,124	6,553,662
DROP benefits	265,559	-	265,559
Refunds/transfers of contributions	420,543	-	420,543
Administrative	129,461	-	129,461
Total Deductions	7,348,101	21,124	7,369,225
<b>Change in Net Assets</b>	11,927,826	5,051	11,932,877
<b>Net Assets, Beginning of Year</b>	92,475,421	100,474	92,575,895
<b>Net Assets End of Year</b>	<u>\$ 104,403,247</u>	<u>\$ 105,525</u>	<u>\$ 104,508,772</u>

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

## **Notes to Financial Statements**

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

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**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 as set forth in the *Codification for Governmental Accounting and Financial Reporting*. In the government-wide financial statements and the fund financial statements for the proprietary funds, the *FASB Accounting Standards Codification (ASC)* has been applied.

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.

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, 2010.

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, 2011**

**Notes to Financial Statements**

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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, 2011**

**Notes to Financial Statements**

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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 2008 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.
- General Capital Projects '08 Limited Tax Bonds Fund – This fund accounts for proceeds from the sale of \$15,000,000 Limited Tax Revenue Bonds, Series 2008 and subsequent expenditure of the funds.
- General Capital Projects '08 Sales Tax Bonds Fund – This fund accounts for proceeds from the sale of \$25,000,000 Sales Tax Revenue Bonds, Series 2008 and subsequent expenditure of the funds.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed 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, are deferred until expenditures are made.

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

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**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.



**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

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**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, 2011**

**Notes to Financial Statements**

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**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 1<sup>st</sup> 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, 2011**

**Notes to Financial Statements**

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**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. No interest was capitalized during the current period.

**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, 2011**

**Notes to Financial Statements**

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**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.

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

**Cash and cash equivalents – governmental and business-type activities**

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

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

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

Cash in interest-bearing demand deposits	\$ 22,186,684
Certificates of deposit with maturities of less than one year	<u>36,982,339</u>
	\$ 59,169,023

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

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 plan**

At year-end, the City Employees' Retirement System 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	\$ 30,259,145	\$	\$ 702,947	\$ 4,982,048	\$ 24,574,150
Zero coupon treasury receipts	2,595,627			2,595,627	
U. S. Govt agency notes	1,017,090				1,017,090
GMNA mortgage notes	31,766	201	10,733	20,832	
Total interest-bearing	33,903,628	\$ 201	\$ 713,680	\$ 7,598,507	\$ 25,591,240
Common stocks	61,221,394				
Preferred stocks	3,208,531				
	\$ 98,333,553				

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

*Credit Risk:* The employee retirement plans may invest in United States bonds, treasury notes, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment. In addition, the City of Alexandria Employees' Retirement System 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. Due to the extraordinary market conditions experienced during 2008, 2009 and 2010, management determined that it would be detrimental to the System to sell the bonds whose credit ratings dropped below Baa.

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

**Moody's Investor Services Credit Rating**

	<u>Fair Value</u>
A or better	\$ 27,989,986
Baa	3,099,698
Less than Baa	<u>2,813,944</u>
	\$ 33,903,628

*Custodial Credit Risk:* 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, 2011, consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Internal Service Funds</u>	<u>Totals</u>
<b>Receivables</b>				
Taxes - sales	\$ 3,376,535	\$	\$	\$ 3,376,535
Accounts				
Uncollected cycle billings		8,988,489		8,988,489
Estimated unbilled services		4,446,792		4,446,792
Interest	3,789	942		4,731
Other	<u>1,231,930</u>	<u>110,808</u>	<u>83,637</u>	<u>1,426,375</u>
Gross receivables	4,612,254	13,547,031	83,637	18,242,922
Allowance for uncollectibles	<u>(42,976)</u>	<u>(1,600,000)</u>		<u>(1,642,976)</u>
Net receivables	4,569,278	11,947,031	83,637	16,599,946
<b>Intergovernmental</b>				
Federal	294,004	228,584		522,588
State	90,118	109,806		199,924
Local	<u>376,113</u>			<u>376,113</u>
Total Intergovernmental	<u>760,235</u>	<u>338,390</u>	<u>-</u>	<u>1,098,625</u>
Total receivables	\$ 5,329,513	\$ 12,285,421	\$ 83,637	\$ 17,698,571

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

For the year ended April 30, 2011, taxes of 20.23 mills were levied on property with assessed values totaling \$358,234,238 and were dedicated as follows:

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

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

Total taxes levied were \$7,247,125 of which a balance of \$-0- representing current taxes, (net of allowance for uncollectibles) remained uncollected at April 30, 2011.

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 \$1,600,000, which represents the projected uncollectible utility accounts at April 30, 2011.

**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, 2011, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	City Sales Tax	\$ 4,689,876
General	Home Investment Partnership Program	2,437
General	Community Development Block Grant	1,413
General	Youth Baseball	934
General	Neighborhood Stabilization	6,310
General	Utilities System	4,376,729
General	Municipal Bus Line	143,200
General	Golf Course	13,551
General	Risk Management	580
Community Development	Home Investment Partnership Program	1,546
General Capital Projects	Utilities System	84,664
General Capital Projects	City Sales Tax	669,706
Total Governmental Funds		<u>9,990,946</u>
Municipal Bus Line	Utilities System	5,822
Sanitation	Utilities System	432,293
Golf Course	General	103,506
Golf Course	Hotel Operations	6,123
Hotel Operations	Economic Development	220,000
Hotel Operations	Economic Development Hotel	250,000
Zoological Park	Golf Course	2,700
Utilities System	Hotel Operations	1,976
Utilities System	Sanitation	116,655
Total Enterprise Funds		<u>1,139,075</u>
Total Due From/To Other Funds		\$ 11,130,021

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

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

Transfers, for the year ending April 30, 2011, shown in the fund financial statements were as follows:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
General	City Sales Tax	\$ 26,943,278
General	General Capital Projects	433,500
General	Utilities System	7,375,555
General	Sanitation	686,283
General	Municipal Bus Line	382,620
General	Zoological Park	269,586
General	Golf Course	55,061
General Capital Projects	City Sales Tax	3,720,842
General Capital Projects	Utilities System	254,000
Home Investment Ptns Program	Hotel Economic Development	18,192
Riverfront Center	General	174,535
Debt Service	General Capital Projects '08 ST Bonds	1,894,338
Debt Service	City Sales Tax	<u>3,010,872</u>
Total Governmental Funds		45,218,662
Utilities System	Sanitation	160,161
Utilities System	Municipal Bus Line	29,885
Municipal Bus Line	General Capital Projects	11,589
Golf Course	Utilities System	235,115
Hotel Operations	Economic Development	220,000
Zoological Park	Utilities System	1,771,409
Sanitation	General	<u>145,047</u>
Total Enterprise Funds		<u>2,573,206</u>
Total Transfers		\$ 47,791,868

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, 2011**

**Notes to Financial Statements**

**5. Restricted Assets**

At April 30, 2011, restricted assets of the Utility System Enterprise Fund consist of equity in pooled cash and investments totaling \$13,027,659 as follows:

Revenue bond current debt service	\$ 3,265,301
Customers' deposits	4,460,575
Special projects	150,000
Revenue bond sinking fund	16,564
Revenue bond reserve	1,296,036
Revenue bond capital additions and contingencies	1,000,000
Utilities capital projects - unexpended bond funds	1,440,225
Utilities capital projects - other	<u>1,398,958</u>
	<b>\$ 13,027,659</b>

**6. Capital Assets and Depreciation**

Capital asset activity for the year ended April 30, 2011, was as follows:

	<u>Balance</u> <u>May 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>April 30, 2011</u>
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land and land improvements	\$ 14,271,359	\$ 94,000	\$ (104,067)	\$ 14,261,292
Infrastructure in progress	<u>20,875,659</u>	<u>10,476,366</u>	<u>(19,072,836)</u>	<u>12,279,189</u>
Total Capital Assets not Being Depreciated	35,147,018	10,570,366	(19,176,903)	26,540,481
Other Capital Assets				
Buildings and improvements	92,887,887	355,492	-	93,243,379
Furniture and fixtures	843,840	-	(4,092)	839,748
Equipment	14,523,611	1,116,890	(237,012)	15,403,489
Vehicles	11,811,818	31,703	(446,109)	11,397,412
Infrastructure	<u>93,022,004</u>	<u>19,838,123</u>	<u>-</u>	<u>112,860,127</u>
Total Other Capital Assets	213,089,160	21,342,208	(687,213)	233,744,155
Accumulated Depreciation				
Buildings and improvements	(28,821,956)	(2,428,939)	-	(31,250,895)
Furniture and fixtures	(793,157)	(8,176)	4,092	(797,241)
Equipment	(9,898,744)	(1,228,956)	197,083	(10,930,617)
Vehicles	(8,208,245)	(1,078,891)	443,699	(8,843,437)
Infrastructure	<u>(31,508,315)</u>	<u>(2,881,875)</u>	<u>-</u>	<u>(34,390,190)</u>
Total Accumulated Depreciation	<u>(79,230,417)</u>	<u>(7,626,837)</u>	<u>647,874</u>	<u>(86,212,380)</u>
Other Capital Assets, Net	<u>133,858,743</u>	<u>13,715,371</u>	<u>(42,339)</u>	<u>147,531,775</u>
<b>Net Capital Assets</b>	<b>\$ 169,005,761</b>	<b>\$ 24,285,737</b>	<b>\$(19,219,242)</b>	<b>\$174,072,256</b>

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

Depreciation increases (expense), including internal service fund of \$2,408, was charged to functions as follows:

Governmental Activities	
General government	\$ 1,718,708
Public safety	1,356,165
Public works	4,551,334
Community development	<u>630</u>
Total Depreciation Expense for Governmental Activities	\$ 7,626,837

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

	Balance <u>May 1, 2010</u> <u>April 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance
<b>Business-Type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 2,789,049	\$ -	\$ -	\$ 2,789,049
Construction in progress	<u>18,181,902</u>	<u>6,137,267</u>	<u>(20,503,200)</u>	<u>3,815,969</u>
Total Capital Assets not Being Depreciated	20,970,951	6,137,267	(20,503,200)	6,605,018
Other Capital Assets				
Plant and equipment	224,014,757	22,399,147	(815,041)	245,598,863
Buildings and improvements	6,204,667	-	(1,760)	6,202,907
Vehicles and buses	11,648,298	216,492	(355,630)	11,509,160
Furniture, fixtures and equipment	<u>2,287,498</u>	<u>17,475</u>	<u>(76,090)</u>	<u>2,228,883</u>
Total Other Capital Assets	244,155,220	22,633,144	(1,248,521)	265,539,813
Accumulated Depreciation				
Plant and equipment	(129,303,126)	(6,850,165)	815,041	(135,338,250)
Buildings and improvements	(2,678,158)	(172,541)	308	(2,850,391)
Vehicles and buses	(7,744,029)	(1,200,573)	355,630	(8,588,972)
Furniture, fixtures and equipment	<u>(1,987,982)</u>	<u>(147,394)</u>	<u>76,090</u>	<u>(2,059,286)</u>
Total Accumulated Depreciation	<u>(141,713,295)</u>	<u>(8,370,673)</u>	<u>1,247,069</u>	<u>(148,836,899)</u>
Other Capital Assets, Net	<u>102,441,925</u>	<u>14,262,441</u>	<u>(1,452)</u>	<u>116,702,914</u>
Net Capital Assets	\$123,412,876	\$ 20,399,708	\$(20,504,652)	\$123,307,932

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

Depreciation was charged to functions as follows:

**Business-Type Activities**

Electricity	\$ 2,686,522
Natural gas	1,383,290
Water	1,382,553
Waste water	1,750,244
Municipal bus line	430,062
Sanitation	247,602
Municipal zoo	202,271
Municipal golf course	288,129
<b>Total Depreciation Expense for Business-Type Activities</b>	<b>\$ 8,370,673</b>

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>
<b>Utilities System Enterprise Fund</b>				
Electric	\$ 7,722,326	\$ 2,891,166	\$ 173,229	None
Gas	383,683	128,729	14,944	None
Water	8,549,002	4,666,041	103,972	None
Waste water	19,665,400	15,316,425	262,619	None
General and administrative	1,954,358	1,316,808	100,994	None
	<u>\$ 38,274,769</u>	<u>\$ 24,319,169</u>	<u>\$ 655,758</u>	

**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, 2011. 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, 2011**

**Notes to Financial Statements**

	<u>Loss Retained</u>	
	<u>Each Occurrence</u>	<u>In Aggregate</u>
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	(*)

(\*) \$300,000,000 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 \$5,597,787 as of April 30, 2011, 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, 2011, were as follows:

Balance, beginning of the year	\$ 5,004,043
Current year claims and changes in estimates	2,910,886
Claims payments	(2,317,142)
Balance, end of the year	\$ 5,597,787

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 (see note 22). 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.

#### **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 \$125,000 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 \$125,000 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, 2011**

**Notes to Financial Statements**

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Applicable 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 \$470,859 reported in the Fund at April 30, 2011, 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, 2011, were as follows:

Balance, beginning of the year	\$ 482,110
Current year claims and changes in estimates	6,473,914
Claims payments	<u>(6,485,165)</u>
Balance, end of the year	\$ 470,859

**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, 2011, claim payments of \$26,771 were paid by 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, 2011, 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, 2011**

**Notes to Financial Statements**

A summary of long-term debt, as of April 30, 2011, follows:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>
<b>Governmental activities</b>				
General Obligation				
Sales tax revenue bonds				
2004 Issue	2011 - 2024	2.75 - 4.20	\$	\$ 11,885,000
2008 Series	2012 - 2028	3.50 - 5.00		23,405,000
Ad valorem tax bonds - refunding	2011 - 2016	2.00 - 3.75		2,835,000
Limited Tax bonds - series 2008	2011 - 2018	3.50 - 4.00		11,605,000
Certificates of indebtedness				
Series 1998 A & B - refunding	2011 - 2014	5.00 - 5.10		950,000
Series 1998 C - refunding	2011 - 2022	5.75 - 6.58		11,285,000
Compensated absences				3,882,062
Risk Management Claims				6,068,646
<b>Business-type activities</b>				
Enterprise Funds				
Utilities System revenue bonds				
2003 refunding	2011 - 2014	2.50 - 3.625	2,940,000	
2004 A capital additions	2011 - 2034	3.00 - 5.00	14,735,000	
2004 B refunding	2011 - 2021	3.00 - 5.00	14,580,000	
State Revolving loan fund	2011 - 2031		2,456,403	
Certificates of indebtedness				
Series 2004 - capital additions	2011 - 2013	2.80 - 4.15	495,000	
Customer guaranteed deposits			4,460,574	
Compensated absences			<u>2,030,932</u>	
Totals			41,697,909	71,915,708
Current portion			<u>(3,020,325)</u>	<u>(7,871,168)</u>
Totals			\$ 38,677,584	\$ 64,044,540
Deferred loss on Revenue Bonds 2003 B refunding			<u>(175,697)</u>	
Totals			\$ 38,501,887	

During the year ended April 30, 2011, the following changes occurred in governmental activities long-term liabilities:

	<u>Balance 05/01/10</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 04/30/11</u>
<b>Governmental Activities Long-Term Debt</b>				
Sales tax bonds	\$ 36,740,000	\$	\$ (1,450,000)	\$ 35,290,000
Ad valorem tax bonds	16,335,000		(1,895,000)	14,440,000
Certificates of indebtedness	13,280,000		(1,005,000)	12,235,000
Compensated absences - net	3,740,892	141,170		3,882,062
Risk management claims	<u>5,486,153</u>	<u>593,744</u>	<u>(11,251)</u>	<u>6,068,646</u>
Totals	\$ 75,582,045	\$ 734,914	\$ (4,336,251)	\$ 71,915,708

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

	<u>Balance 04/30/11</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
<b>Governmental Activities Long-Term Debt</b>			
Sales tax bonds	\$ 35,290,000	\$ 1,520,000	\$ 33,770,000
Ad valorem tax bonds	14,440,000	1,980,000	12,460,000
Certificates of indebtedness	12,235,000	1,100,000	11,135,000
Compensated absences - net	3,882,062	582,309	3,299,753
Risk management claims - net	<u>6,068,646</u>	<u>2,688,859</u>	<u>3,379,787</u>
Totals	\$ 71,915,708	\$ 7,871,168	\$ 64,044,540

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

<u>Year ended April 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2012	\$ 4,600,000	\$ 2,765,127	\$ 7,365,127
2013	4,820,000	2,584,204	7,404,204
2014	4,850,000	2,391,046	7,241,046
2015	4,875,000	2,192,249	7,067,249
2016	5,120,000	1,972,929	7,092,929
2017-2021	20,040,000	6,564,719	26,604,719
2022-2026	12,285,000	2,502,864	14,787,864
2027-2029	<u>5,375,000</u>	<u>411,375</u>	<u>5,786,375</u>
	\$ 61,965,000	\$ 21,384,513	\$ 83,349,513

During the year ended April 30, 2011, the following changes occurred in business-type activities long-term liabilities:

	<u>Balance 05/01/10</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 04/30/11</u>
<b>Business-Type Activities Long-Term Debt</b>				
Revenue bonds	\$ 35,448,701	\$ 1,717,702	\$ (2,455,000)	\$ 34,711,403
Certificates of indebtedness	650,000		(155,000)	495,000
Compensated absences - net	1,401,424	629,508		2,030,932
Customer guaranteed deposits - net	<u>4,247,233</u>	<u>213,341</u>		<u>4,460,574</u>
Totals	\$ 41,747,358	\$ 2,560,551	\$ (2,610,000)	\$ 41,697,909

	<u>Balance 04/30/11</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
<b>Business-Type Activities Long-Term Debt</b>	\$ 41,697,909	\$ 3,020,325	\$ 38,677,584

**City of Alexandria, Louisiana**  
**April 30, 2011**

**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>
2012	\$ 2,818,000	\$ 1,477,169	\$ 4,295,169
2013	2,931,000	1,375,294	4,306,294
2014	3,028,000	1,268,704	4,296,704
2015	1,921,000	1,167,444	3,088,444
2016	1,994,000	1,071,365	3,065,365
2017-2021	11,315,000	3,889,704	15,204,704
2020-2026	3,790,000	2,135,786	5,925,786
2027-2031	4,549,403	1,203,311	5,752,714
2032-2034	<u>2,860,000</u>	<u>206,095</u>	<u>3,066,095</u>
	\$35,206,403	\$ 13,794,872	\$ 49,001,275

**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 \$1,680,410 is recognized as intergovernmental revenue in the General Fund and as expenditures in the following public safety departments:

Police	\$ 955,882
Fire	<u>724,528</u>
	\$ 1,680,410

**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:

	<u>Utilities System</u>
<b>Condensed Statement of Net Assets</b>	
Assets	
Current assets	
Due from other funds	\$ 121,331
Other current assets	26,118,839
Noncurrent assets	
Restricted equity in pooled cash and investments	13,027,659
Capital assets	<u>110,773,653</u>
Total Assets	150,041,482



**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

	<u>Utilities System</u>
<b>Liabilities</b>	
Current liabilities	
Due to other funds	4,899,508
Other current liabilities	3,239,763
Liabilities payable from restricted assets	4,291,862
Noncurrent liabilities	<u>38,193,023</u>
Total Liabilities	50,624,156
<b>Net Assets</b>	
Invested in capital assets, net of related debt	89,541,754
Restricted	3,736,260
Unrestricted	<u>6,139,312</u>
Total Net Assets	<u>\$ 99,417,326</u>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Assets</b>	
Operating revenues (operating revenues are pledged against revenue bonds)	\$ 100,122,385
Operating expenses	
Depreciation	(7,202,609)
Other	<u>(80,998,052)</u>
Operating income (loss)	11,921,724
Nonoperating revenues (expenses)	
Investment income	107,934
Interest expense and fiscal charges	(1,642,512)
Capital contributions	883,979
Transfers in (out)	<u>(9,446,033)</u>
Change in Net Assets	1,825,092
Net Assets, beginning	<u>97,592,234</u>
Net Assets, ending	<u>\$ 99,417,326</u>
<b>Condensed Statement of Cash Flows</b>	
Net cash provided (used) by	
Operating activities	\$ 20,989,674
Noncapital financing activities	(7,857,633)
Capital and related financing activities	(11,695,480)
Investing activities	<u>(461,589)</u>
Net decrease	\$ 974,972
Cash and cash equivalents, beginning	<u>4,701,584</u>
Cash and cash equivalents, ending	<u>\$ 5,676,556</u>

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

Segment information for the Utilities System Enterprise Fund for the fiscal year ended April 30, 2011, follows:

	<u>Total</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Waste Water</u>
Operating revenues	\$100,122,385	\$ 78,368,351	\$ 10,547,253	\$ 6,660,092	\$ 4,546,689
Operating expenses					
Depreciation	(7,202,609)	(2,686,522)	(1,383,290)	(1,382,553)	(1,750,244)
Other	(80,998,052)	(57,857,024)	(11,383,539)	(5,776,718)	(5,980,771)
Operating income (loss)	\$ 11,921,724	\$ 17,824,805	\$ (2,219,576)	\$ (499,179)	\$ (3,184,326)

**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).

Proceeds of the 2008 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.

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

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**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 therefrom as the same shall become due and payable in each year, all reserves or sinking funds or other payments required for such year by the Bond Ordinance, and all other obligations or indebtedness payable out of the revenues of the Utilities System for such year, and that such rates, fees, rents or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for such purposes.

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

- (a) The payment of all reasonable expenses of administration, operation, and maintenance of the Utilities System.
- (b) The maintenance of the Sinking Funds established pursuant to the bond resolutions sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds and any additional *pari passu* bonds issued hereafter in the manner provided by the bond ordinance, as they severally become due and payable, by transferring from the Utilities System Fund to the Sinking Funds established pursuant to the bond resolutions, monthly in advance on or before the 20th day of each month of each year, a sum equal to 1/6th of the interest falling due on the next interest payment date, and a sum equal to 1/12th of principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively becomes 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 (ending 4/30) on the bonds (the "Reserve Funds Requirement"), (iii) or 125% of the aggregate amount of principal installments and interest becoming due in any fiscal year on the bonds (ending 04/30). 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

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

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paragraph (b) above, the payments into said Reserve Funds to continue until such time as there has been accumulated therein a sum equal to the Reserve Funds Requirement. The money in the Reserve Funds shall be retained solely for the purpose of paying the principal of and interest on Bonds payable from the aforesaid Sinking Fund specified in paragraph (b) above as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by the bond ordinance, the payments into said Reserve Fund shall continue, or if the said payments have ceased because of the accumulation of the maximum amount provided above, then such payments shall be resumed, until such time as there has been accumulated in said Reserve Funds an amount of money equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds, including such additional pari passu bonds.

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

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

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

---

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.

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:

City of Alexandria, Louisiana  
April 30, 2011

Notes to Financial Statements

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**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 twenty-five percent (25.00%) of the member's salary, including supplemental pay. The City's contributions to MPERS, for the fiscal years ended April 30, 2011, 2010, and 2009, were \$2,128,329, \$1,107,453 and \$1,020,014 respectively.

**Firefighters' Retirement System of Louisiana (FRS)**

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

*Funding Policy and Annual Pension Costs.* Members are currently required to contribute eight percent (8%) of their annual salary, including supplemental pay to the Plan. The City contributes an actuarially determined rate, presently at twenty one and five tenths percent (21.5%) of the member's salary, including supplemental pay. The City's contributions to FRS, for the fiscal years ended April 30, 2011, 2010, and 2009, were \$1,284,842, \$875,423 and \$805,829, 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

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

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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 two percent (22.00%) of the member's annual salary. The City's contributions to LASERS for the years ended April 30, 2011, 2010, and 2009 were \$9,847, \$8,112 and \$7,868, respectively.

**Parochial Employees' Retirement System of Louisiana (PERSL)**

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

**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 fifteen and three-fourth percent (15.75%) to the System as an employer match. The City's contributions to PERSL, for the fiscal years ended April 30, 2011, 2010, and 2009, were \$3,920, \$3,315 and \$3,070, respectively.

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

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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 ninety-four hundredths percent (28.94%). The City's contributions to COAERS, for the fiscal years ended April 30, 2011, 2010, and 2009, were \$5,382,069, \$4,601,100 and \$5,261,985, 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.

**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 the 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, 2011, 2010, and 2009, were \$25,000, \$20,000 and \$25,000, 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.



**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

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>FPAEF</u>
Contribution rate		
City	28.94%	n/a
Plan members	10.00%	n/a
Annual pension cost	\$ 5,382,069	\$ 25,000
Contributions made	\$ 5,382,069	\$ 25,000
Actuarial valuation date	12/31/10	n/a
Actuarial cost method	Frozen Entry	n/a
	Age Normal	
Remaining amortization period	9 years	n/a
Asset valuation method	Five year smoothing for stocks. Other assets at amortized cost.	n/a
	<u>COAERS</u>	<u>FPAEF</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</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
City of Alexandria	04/30/11	\$ 5,382,069	100%	\$ -
Employees' Retirement	04/30/10	4,601,100	100	-
System	04/30/09	5,261,985	100	-
Firemen's Pension	04/30/11	\$ 25,000	100%	\$ -
and Relief Fund	04/30/10	20,000	100	-
	04/30/09	25,000	100	-

**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 \$1,373,692. Employer contributions for the fiscal year were \$246,055 or approximately seventeen and ninety-nine hundredths percent (17.99%). Employees do not contribute to the plan.

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

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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's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by a retirement system whose retirement eligibility provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 20 years of service; or, age 62 and 10 years of service. Complete plan provisions are included in the official plan documents.

**Contribution Rates** Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

**Fund Policy** Until Fiscal Year Ending April 30, 2008, the City of Alexandria recognized the cost of providing post-employment medical benefits (the City of Alexandria'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. Effective with the Fiscal Year beginning May 1, 2008, the City of Alexandria implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

In Fiscal Year Ending April 30, 2011, the City of Alexandria's portion of health care funding cost for retired employees totaled \$256,363. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the following page.

**Annual Required Contribution** The City of Alexandria's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning May 1, 2010 is \$566,892, as set forth below:

		Medical
Normal Cost	\$	220,683
30-year UAL amortization amount		346,209
Annual required contribution (ARC)	\$	<u>566,892</u>

**Net Post-employment Benefit Obligation (Asset)** The table below shows the City of Alexandria's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending April 30, 2011:

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

	Medical
1. Beginning Net OPEB Obligation (Asset) 5/1/2010	510,900
2. Annual required contribution	566,892
3. Interest on Net OPEB Obligation (Asset): .04 X [1]	20,436
4. ARC Adjustment: [1]/17.292	(29,545)
5. OPEB Cost: [2]+[3]-[4]	557,783
6. Contribution	-
7. Current year retiree premium	256,363
8. Change in Net OPEB Obligation: [5]-[6]-[7]	(301,420)
9. Ending Net OPEB Obligation: (Asset) 4/30/2011: [1]+[8]	\$812,320

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

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	April 30, 2011	\$557,783	45.96%	\$812,320

**Funded Status and Funding Progress** In the fiscal year ending April 30, 2011, the City of Alexandria made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of May 1, 2010, the most recent valuation, the Actuarial Accrued Liability (AAL) was \$5,986,492, which is defined as that portion, as determined by a particular actuarial cost method (the City of Alexandria uses the Projected 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 2010/2011, the entire actuarial accrued liability of \$5,986,492 was unfunded.

	Medical
Actuarial Accrued Liability (AAL)	\$ 5,986,492
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	5,986,492
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	37,015,424
UAAL as a percentage of covered payroll	16.17%

City of Alexandria, Louisiana  
April 30, 2011

**Notes to Financial Statements**

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**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 of Alexandria and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Alexandria 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 of Alexandria 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 Projected 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 the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45.

**Turnover Rate** An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10%. The rates for each age are below:

Age	Percent Turnover
18 - 25	20.0%
26 - 40	14.0%
41 - 54	9.0%
55+	6.0%

It has also been assumed that 40% of future eligible retirees will decline coverage because of the high retiree contributions required.

**Post-employment Benefit Plan Eligibility Requirements** Based on past experience, it has been assumed that entitlement to benefits will commence three years after the earliest retirement eligibility. Medical benefits are provided to employees upon actual retirement. The employees are covered by a retirement system whose retirement eligibility provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 20 years of service; or, age 62 and 10 years of service.

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

---

**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. Since the ARC is not currently being funded and not expected to be funded in the near future, we have performed this valuation using a 4% annual investment return assumption.

**Health Care Cost Trend Rate** The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & 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 Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

**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 a published mortality table which was designed 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 employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The City pays a portion of the retiree premium (based on the blended active/retired rate) before Medicare eligibility, but does not pay any portion of the premium after the retiree's eligibility for Medicare (age 65). Since GASB 45 mandates that "unblended" rates applicable to the coverage provided to retirees be used, we have estimated the "unblended" rates for retirees before Medicare eligibility. It has been assumed that the total retiree rate before Medicare eligibility is 130% of the total blended active/retired rate.

**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 services 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 \$11,352, under the terms of the lease representing fiscal year ended April 30, 2011 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:

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

---

- 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. The lease has expired and has not been renewed.

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.

**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, 2011.

Charles L. Fowler, Jr.	\$ 18,000
Everett Hobbs	11,492
Myron K. Lawson	11,492
Harry Silver	18,000
Roosevelt L. Johnson	18,000
Jonathan D. Goins	18,000
Edward Larvadain, III	18,000
Mitzi Gibson	6,577
James A. Villard	6,577

**21. Deficit Balance - Non-Major Individual Funds**

The following non-major funds had deficit balances at April 30, 2011:

Hotel Operating Fund	\$ 38,951
Self Insurance Risk Management Fund	1,893,414

The Self Insurance Risk Management Fund 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. The Hotel Operating Fund deficit balance is due to operations. Management intends to fund this deficit with transfers from the General Fund in a future period.

**22. Contingencies**

Management has not calculated the possible rebate of arbitrage interest, as of April 30, 2011, 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

**City of Alexandria, Louisiana**  
**April 30, 2011**

**Notes to Financial Statements**

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

The City is a defendant in a suit entitled "Gerald Bordelon, et al vs. City of Alexandria, Alexandria Civil Service Commission Appeal". There are approximately 339 individual grievants who asserted civil service grievances before the Alexandria Civil Service Board. It is the contention of the several individuals that they are entitled to certain wage and related payments for a period of time from July 1, 1998 to July 31, 1990 pursuant to a November 13, 1987 contract. The City denies responsibility or any obligation to the employees for the claims and it is believed the underlying claims are prescribed. Management and legal counsel for the City are unable to provide reasonable estimates of the claims amount, if any, and it is not practical to calculate such amounts under current known facts and conditions.

The City is a defendant in a suit entitled "Charles W. Armand, et al vs. City of Alexandria" referred to as the "dual pay plan". Nothing is currently set or pending but the claim is viable. No class has been certified and the plaintiff's counsel must attempt to define the class. In the opinion of legal counsel, some contingent exposure for possible payment of wages and other considerations may be considered. Management and legal counsel for the City are unable to provide reasonable estimates of the claims amount, if any, and it is not practical to calculate such amounts under current known facts and conditions.

The City is a defendant in a suit entitled "Armested Franklin, et al vs. City of Alexandria". This is a petition for damages filed originally by eight named claimants who are residential, rental, and commercial rate payers who received electric services from the City. The claims assert legal conclusions that the City for a period of time from 1997 to the present incorrectly calculated fuel adjustment cost for electricity and engaged "incorrect application of the monthly fuel adjustment rates". In the opinion of legal counsel, the claim does not lead to any belief that a material adverse impact on the City's financial condition, calculation of fuel cost adjustments or application of fuel cost adjustment will occur or result there from.

The City is also a defendant in other suits as a result of recent litigation with CLECO. The consulting firm retained by the City to help facilitate the CLECO matter has filed suit against the City claiming breach of contract. In addition, matters are pending with three attorneys whom signed contingency contracts with the City to receive a percentage of any judgment the City may receive incident the CLECO matter. Management and legal counsel for the City are unable to provide reasonable estimates of the claims amount, if any, and it is not practical to calculate such amounts under current known facts and conditions.

City of Alexandria, Louisiana  
April 30, 2011

**Notes to Financial Statements**

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**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 27.*
2. A balance sheet as of the end of such fiscal year. *See Exhibit G, Page 26.*
3. The accountant's comments regarding the manner in which the Issuer has carried out the requirements of this Bond Ordinance, and the accountant's recommendations for any changes or improvements in the operation of the Utilities System or the method of keeping the records related thereto. *See Special Letter, Page 93-94.*
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 78-79.*
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 77*
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 46-48.*

**24. Subsequent Events**

Management has evaluated subsequent events and determined that the City did not have any events through October 25, 2011, which is the date financials were available to be issued, requiring recording or disclosure in the financial statements for the year ended April 30, 2011.



**Required Supplemental Information - Part II**

**City of Alexandria, Louisiana**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended April 30, 2011**

				Schedule 1
				Variance with Final Budget - Positive (Negative)
		Budgeted Amounts		
	Original	Final	Actual	
<b>Revenues</b>				
Taxes				
Property taxes	\$ 2,452,000	\$ 2,492,000	\$ 2,609,035	\$ 117,035
Sales taxes	6,900,000	6,900,000	7,334,108	434,108
Other	200,000	600,000	708,065	108,065
Intergovernmental	1,742,591	3,182,328	3,288,769	106,441
Fees, commissions, and fines	815,200	858,445	785,319	(73,126)
Licenses and permits	2,585,200	2,759,200	2,822,761	63,561
Charges for services	223,430	280,430	186,072	(94,358)
Investment earnings	-	5,000	4,808	(192)
Miscellaneous	280,205	450,109	501,502	51,393
Total Revenues	15,198,626	17,527,512	18,240,439	712,927
<b>Expenditures</b>				
Current				
General government	12,182,445	10,840,179	9,919,438	920,741
Public safety	25,970,252	28,358,895	27,456,165	902,730
Public works	9,658,619	10,201,874	9,583,394	618,480
Capital outlay	250,000	821,282	654,698	166,584
Debt service				
Principal	1,045,000	1,045,000	1,045,000	-
Interest and other charges	804,918	804,918	804,919	(1)
Total Expenditures	49,911,234	52,072,148	49,463,614	2,608,534
<b>Deficiency of Revenues over Expenditures</b>	<u>(34,712,608)</u>	<u>(34,544,636)</u>	<u>(31,223,175)</u>	<u>3,321,461</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	34,712,608	34,684,153	36,145,883	1,461,730
Transfers out	-	(189,517)	(319,582)	(130,065)
Proceeds from sale capital assets	-	25,000	205,000	180,000
Total Other Financing Sources (Uses)	<u>34,712,608</u>	<u>34,519,636</u>	<u>36,031,301</u>	<u>1,511,665</u>
<b>Net Change in Fund Balances</b>	-	(25,000)	4,808,126	4,833,126
<b>Fund Balances, Beginning of Year</b>	<u>12,170,066</u>	<u>12,170,066</u>	<u>12,170,066</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 12,170,066</u>	<u>\$ 12,145,066</u>	<u>\$ 16,978,192</u>	<u>\$ 4,833,126</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, 2011**

				Schedule 2
	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes				
Sales taxes	\$ 32,082,500	\$ 33,661,500	\$ 34,191,306	\$ 529,806
Total Revenues	32,082,500	33,661,500	34,191,306	529,806
<b>Other Financing Sources (Uses)</b>				
Transfers out	(32,082,500)	(33,661,500)	(34,176,088)	(514,588)
Total Other Financing Sources (Uses)	(32,082,500)	(33,661,500)	(34,176,088)	(514,588)
<b>Net Change in Fund Balances</b>	-	-	15,218	15,218
<b>Fund Balances, Beginning of Year</b>	483,388	483,388	483,388	-
<b>Fund Balances, End of Year</b>	\$ 483,388	\$ 483,388	\$ 498,606	\$ 15,218

See independent auditor's report.

## **Supplemental Information**

**City of Alexandria, Louisiana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended April 30, 2011**

Schedule 3  
(Continued)

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grant Number</b>	<b>Award Amount</b>	<b>Amount Expended</b>	<b>Amount Provided Subrecipients</b>
<b>U.S. Department of Housing and Urban Development</b>					
<b>Community Planning and Development</b>					
Direct					
Community Development Block Grants/Entitlement Grants	14.218		\$ 2,037,107	\$ 538,472	\$ 21,566
ARRA - Community Development Block Grant Recovery Program	14.218		177,284	76,903	
Passed-through the State of Louisiana					
Neighborhood Stabilization Program	14.218		1,250,000	736,644	
Total CFDA 14.218			3,464,391	1,352,019	21,566
Direct					
Home Investment Partnership Program	14.239		2,975,297	534,275	377,943
Passed-through the State of Louisiana					
ARRA - Homelessness Prevention and Rapid Re-Housing	14.257	CFMS # 685503 CFMS # 697793 & 679208	534,845	301,620	283,780
Emergency Shelter Grants Program	14.231		100,862	20,919	20,919
Agency Totals			7,075,395	2,208,833	704,208
<b>U.S. Department of Justice</b>					
<b>Bureau of Justice Assistance</b>					
Passed-through the State of Louisiana					
Passed-through the Louisiana Commission on Law Enforcement and the Administration of Criminal Justice					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	B009-3-004 B010-3-004	12,656	156	
			12,656	2,300	
Passed-through the Rapides Parish, Louisiana Sheriff					
ARRA - Recovery Act: Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2009 DJ-BX-1004 2010-DJ-BX-1611	81,098	47,284	
			66,794		
Total CFDA 16.738			173,202	49,740	-
Passed-through the Rapides Parish, Louisiana Sheriff					
ARRA - Recovery Act: Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	2009 SB-B9-2882	333,726	333,726	
<b>Office of Justice Programs</b>					
Direct					
Operation Weed and Seed	16.595	2009-WS-QX-0141	141,985	56,963	
Operation Weed and Seed	16.595	2010-WS-QX-0013	156,906	57,672	
Total CFDA 16.595			298,891	114,635	-
Agency Totals			805,819	498,101	-
<b>U.S. Environmental Protection Agency</b>					
Direct					
Brownsfields Assessment & Cleanup Cooperative Agreement	66.818	BF-96679901-0	200,000	66,524	
ARRA - Brownsfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96693401	200,000	111,055	
Total CFDA 66.818			400,000	177,579	-
Passed-through the State of Louisiana					
ARRA - Capitalization Grants for Drinking Water					
State Revolving Funds Grant	66.468	1079001	1,000,000	883,979	
State Revolving Funds Loan	66.468	1079001	3,390,000	2,456,403	
Total - CFDA 66.468			4,390,000	3,340,382	-
Agency Totals			4,790,000	3,517,961	-
<b>U.S. Department of Transportation</b>					
<b>Federal Transit Administration</b>					
Direct					
Federal Transit Formula Grants	20.507		3,298,474	961,041	
ARRA - Federal Transit Formula Grants	20.507	LA-96-X006-00	1,183,712	507,469	
Total - CFDA 20.507			4,482,186	1,468,510	-
<b>National Highway Traffic Safety Administration</b>					
Passed-through the State of Louisiana					
Department of Public Safety and Corrections					
Louisiana Highway Safety Commission	20.600	K8HV 10-01-00-00	30,550	6,737	
Louisiana Highway Safety Commission	20.600	PT 11-30-20-00	89,720	49,305	
Louisiana Highway Safety Commission	20.600	PT 10-11-00	38,536	10,482	
Total - CFDA 20.600			158,806	66,524	-
Agency Totals			4,640,992	1,535,034	-

**City of Alexandria, Louisiana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended April 30, 2011**

Schedule 3  
(Concluded)

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 Energy Direct					
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	EE0001486	228,700	64,075	
U.S. Department of Interior Passed-through the State of Louisiana Louisiana Division of Historic Preservation					
Historic Preservation Fund Grants-In-Aid	15.904	22-10-21935	10,000	7,175	
<b>TOTALS</b>			<u>\$17,548,906</u>	<u>\$ 7,831,179</u>	<u>\$ 704,208</u>

**Note:**

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

See independent auditor's report.

**City of Alexandria, Louisiana  
Utilities System Enterprise Fund  
Unaudited Summary of Utility Service Customers  
April 30, 2011**

**Schedule 4**

<b><u>Type of Service</u></b>	<b><u>Number of Customers April 30, 2011</u></b>
Electricity	24,503
Water	21,601
Gas	16,208
Waste water	17,223

See independent auditor's report.

**City of Alexandria, Louisiana  
Unaudited Listing of Insurance in Force  
April 30, 2011**

**Schedule 5  
(Continued)**

**Property**

Insurer: The Travelers Insurance Companies

Expiration date: May 6, 2011

Coverage:

Real property, comprising buildings, and personal property

Self-insured retention:

\$100,000 per occurrence deductible

Policy limits of liability:

\$300,000,000 per occurrence with specified sublimits

**Boiler and Machinery**

Insurer: The Travelers Insurance Companies

Expiration date: May 6, 2011

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: Ace American Insurance Company

Expiration date: May 6, 2011

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, 2011**

**Schedule 5  
(Concluded)**

**Employee Benefits Liability**

Insurer: Ace American Insurance Company

Expiration date: May 6, 2011

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, 2011

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, 2011

Coverage: Mayor

Policy limits of liability: \$100,000

**Fidelity Bond**

Insurer: Ohio Casualty Company

Expiration date: May 21, 2011

Coverage: Tax Collector

Policy limits of liability: \$10,000

**Public Employees Honesty Bond**

Insurer: Fidelity and Deposit Company of Maryland

Expiration date: September 1, 2011

Coverage:

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

Loss retention: \$1,000 per occurrence

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

See independent auditor's report.

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

**Report on 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 1945

**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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 25, 2011. 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.

*A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.*

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. We consider findings 2011-01 through 2011-07 to be significant deficiencies. *A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.*

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DEBORAH R. DODD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and City Council  
City of Alexandria, Louisiana

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs in Finding 2011-08.

We noted certain matters that we reported to the management of the City of Alexandria, Louisiana, in a separate letter, entitled *Other Comments and Recommendations*, dated October 25, 2011.

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

October 25, 2011

**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

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**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 could have a direct and material effect on each of its major federal programs for the year ended April 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2011.

MARVIN A. JUNEAD, C.P.A.  
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DEBORAH R. DONN, C.P.A.





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 the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.*

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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

October 25, 2011



**City of Alexandria, Louisiana  
Schedule of Findings and Questioned Costs  
for the Year Ended April 30, 2011**

**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?	_____ Yes	<u>  X  </u> No	
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>  X  </u> Yes	_____ None reported	
Noncompliance material to the financial statements?	<u>  X  </u> Yes	_____ No	

**Federal Awards**

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

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

- CFDA # 14.257 ARRA – Homelessness Prevention and Rapid Re-Housing
- CFDA # 16.804 ARRA – Recovery Act: Edward Byrne Memorial Justice Assistance Grant (JAC)
- CFDA # 20.507 Federal Transit Formula Grants
- ARRA – Federal Transit Formula Grants
- CFDA # 66.468 Environmental Protection Agency
- ARRA –Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as a low-risk auditee?	_____ Yes	<u>  X  </u> No
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**City of Alexandria, Louisiana  
Schedule of Findings and Questioned Costs  
for the Year Ended April 30, 2011**

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

**FINDING 2011-01**

**CENTRALIZED RECORDKEEPING FOR GRANT AWARDS**

*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:* In the previous years, we commented on several deficiencies in recordkeeping and accounting for grant awards. In general, it is very difficult to identify the existence of intergovernmental revenue sources and its related supporting documentation from various city departments. We noted no improvement during the current year under audit or within the prior year. In fact, due to the increased grant awards received by the City, the condition has shown no improvement and significant effort was expended to identify current grant awards and related expenditures.

*Recommendation:* Again, we recommend that a centralized location with an individual be designated for control and accounting purposes of all state and federal grant awards. A copy of all grants, cooperative endeavor agreements, etc. should be centralized at the time grant awards are received. When the request for reimbursement is submitted to the granting authority, a copy of the request should be provided to the designated individual. When reimbursement is received, the requesting department should be notified timely of the receipt of monies. If payment is not received timely, the requesting party should be notified of that fact in order for the department to follow up on the particular request.

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

**FINDING 2011-02**

**POLICE ANNUAL LEAVE POLICY**

*Criteria:* In accordance with the City of Alexandria's annual leave policy, employees of the Police Department are allowed to accrue a maximum of 528 vacation hours and a maximum of 480 compensatory hours. In addition, in accordance with LA Revised Statute 33:2213.1, the work of an employee for which compensatory time may be provided, may not exceed 480 hours of compensatory time off shall, for additional overtime hours worked, be paid overtime compensation.

*Condition:* For the current audit period, we again noted that several employees of the Police Department were allowed to accrue vacation and compensatory time in excess of the approved policy.

The City has not followed the established annual leave policy. The accrued vacation pay and compensation leave time was recorded as a liability within the accounting records for hours exceeding the approved policy.

*Recommendations:* We recommend the City follow the policies in effect and/or submit a revision with appropriate guidelines for amounts allowed to accrue not within the defined limits. We understand that subsequent to April 30, 2011, management has instituted changes to resolve this matter.

*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, 2011**

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**FINDING 2011-03**

**THEFT ALLEGATION**

*Condition:* In December, 2010, we were advised that an internal investigation was currently in progress regarding possible misappropriation of cash funds from the evidence room located at the police department. The alleged theft occurred over a period of several months extending within the current audit period. Subsequent to that date, management advised that the Louisiana State Police, in conjunction with the Alexandria Police Department, with cooperation from the alleged responsible individual, investigated the matter and formally initiated charges. During June, 2011, the City received a cashier's check in the amount of \$19,263.47 as restitution for the misappropriated funds. A trial date is set for December 12, 2011, regarding this matter.

*Recommendation:* We immediately advised management of the responsibility to communicate the allegation to the Office of the Louisiana Legislative Auditor, the local Sheriff and District Attorney, all of which were completed. Management has instituted new controls over the assets located within the evidence room.

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

**FINDING 2011-04**

**MATERIAL AUDIT ADJUSTMENTS**

*Criteria:* The objectives of internal controls include providing 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 and Effect:* Control deficiencies resulted in the following material audit adjustments that, in our judgment, may not have been detected except for independent audit procedures:

1. Existing controls failed to detect that depreciation as recorded in the accounting records for general fixed assets was overstated by \$3,049,184.
2. At year end, the Municipal Bus Fund had an accumulated fund balance in excess of current or projected needs. The excess was created primarily from current year budgeted and recorded transfers from the Utilities System Fund in the amount of \$2,095,730. The current year transfer was reversed.

*Recommendations:* We offer the following recommendations:

1. Establish monitoring procedures to ensure that depreciation calculations are reviewed for accuracy and completeness.
2. Establish monitoring procedures to review individual fund balances for excess amounts and adjust current year transfers not required for operations of the fund.

*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, 2011**

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**Finding 2011-05**

**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 noted several purchases with purchase requisitions dated after the invoice, indicating that possibility that 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 2011-06**

**DOCUMENTATION OF TRAVEL EXPENSES**

*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. 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".

*Condition:* Our tests revealed several instances whereby travel advances were outstanding at year end in excess of the thirty day rule. Form T-2, documentation of travel incurred by employees, was apparently not completed and filed with accounting within thirty (30) days to document the actual expenditures after travel was incurred.

*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 2011-07**

**ERROR IN UTILITY RATE CHANGE**

*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.

**City of Alexandria, Louisiana  
Schedule of Findings and Questioned Costs  
for the Year Ended April 30, 2011**

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When a decision is made by administration to change a current rate for utility services or create new rates, the information is forwarded to the Utility billing and collection department. After review by management, the new rate documentation is forwarded to another individual, who reviews and enters the updated rate information via UTRSRAT in Banner CIS. The new rate information is printed, reviewed, dated and signed by this person who then forwards the printouts and the documentation to an accountant or other assigned individual. This person reviews the information that was actually entered into CIS, comparing entered information per the print out to the paper documentation. The employee dates and initials the printouts and returns all documentation to administration.

*Condition:* Our test of meter readings and billings revealed that the amount for rate code W112 was entered into the system as \$2.04/cubic foot for the first 20 cubic feet instead of the correct amount of \$2.14/cubic foot for the first 20 cubic feet. The effective date of this rate change was 2/04/11.

Procedures for verifying that utility rate changes have been entered correctly into CIS are being followed. However, they did not prevent the rate for water code W112 from being entered incorrectly on 2/4/11. Per the report provided by management there were 2,311 customers with this rate code during the audit year. The maximum discrepancy between billed and actual amount per customer for the 2 month period that the rate was incorrect (February 4, 2011 to April 4, 2011) would be \$4.00. The maximum total effect would be that the amount collected would be less than the amount that should have been collected by the amount of \$9,244.

*Recommendation:* We recommend that the procedures for verifying rates are entered correctly into CIS also require one additional person to compare what was entered to the paper documentation sent from administration. This additional person could be either a member of administration or an accountant. This step should be performed by actually comparing the data entry screen in CIS, rather than comparing it to the printout.

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

**Finding 2011-08**

**BUDGET COMPLIANCE**

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

*Condition:* Louisiana Revised Statutes (R.S. 39:1305) provides for budget adoption for general and special revenue funds only. The City charter provides for budget preparation and adoption however is silent in regards to the funds requiring budget adoption. It is commonly believed that the intent of the City Charter is that a budget be prepared for each fund. Historically, and within the current audit period, that has been the practice. In addition, Sec. 5-03 of the charter provides in part the following language "The total of proposed expenditures shall not exceed the total of estimated revenues". Under State law, and commonly held under the City Charter, prior year fund balance can be used as budgeted current year source of funding.

**City of Alexandria, Louisiana  
Schedule of Findings and Questioned Costs  
for the Year Ended April 30, 2011**

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For the current year the budget adopted for the Self Insurance Risk Management Fund (internal service fund) did not include revenues equal to expenses. To balance the budget, use of prior year fund balance of \$2,062,203 was included as a funding source. The actual fund balance carry forward from previous period was only \$211,628. Therefore the budget included use of fund balance of \$1,850,574 in excess of available sources. Furthermore, actual current year operations of the fund resulted in a deficit (actual expenses over actual income) of \$2,105,043. This fund has a deficit fund balance at April 30, 2011 of \$1,893,414.

Since sufficient fund balance was not available, we believe this to be a violation of the intent of the City Charter.

*Recommendation:* Budgets for each fund should not contain proposed expenditures that exceed the total of estimated revenues, which revenue sources can include use of prior year fund balance to the extent available. The current year end deficit within the Risk Management Fund should be addressed in future budget amendments.

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

**Part III - Findings and Questioned Costs for Federal Awards**

**None Reported**



## **Other Comments and Recommendations**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2011, 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 October 25, 2011 contains our report on reportable conditions on the City's internal control. This letter does not affect our report, dated October 25, 2011 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

October 25, 2011

MARVIN A. JONEAU, C.P.A.  
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## Memorandum of Other Comments and Recommendations

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### **Finding 2011-09**

### **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.

Substantial improvements consisting of the Johnny Downs Sports Complex were constructed on this property.

*Recommendation:* Management reports that actual lease agreements have not been formally signed as of the date of our report, however, agreements have been completed and the new document is ready for execution by all parties. Based on information provided by the City Attorney, the matter should be completed in the near future. We recommend that management continue to pursue this matter until finalization.

*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

Established 1945

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.

  
Certified Public Accountants

October 25, 2011

MARTIN A. JUNEAN, C.P.A.  
ERNEST F. SASSER, C.P.A.  
ROBERT W. DORRAT, C.P.A.  
REBECCA B. MORRIS, C.P.A.

MICHAEL A. JUNEAN, C.P.A.  
JAMES N. BALLARD, C.P.A.  
CINDY L. HUMPHRIES, C.P.A.  
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### **Management's Corrective Action Plan**

**City of Alexandria, Louisiana  
Management's Corrective Action Plan  
Year Ended April 30, 2011**

The City of Alexandria, Louisiana respectfully submits the following corrective action plan for the year ended April 30, 2011.

Independent Public Accounting Firm:

Payne, Moore & Herrington, LLP  
P. O. Box 13200  
Alexandria, Louisiana 71315-3200

Auditee Contact Person:

Mr. David Johnson  
Interim Director of Finance  
City of Alexandria, Louisiana  
(318) 449-5094

Audit Period:

May 1, 2010 through April 30, 2011

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.

<b>Section I: Findings Relating to the Financial Statements Which are Required to be Reported Under Government Auditing Standards</b>	
Finding 2011-01	Centralized Recordkeeping for Grant Awards
Response	Budgetary Constraints prohibit adding such a position at the present time. The Budget and Accounting Departments will work closely with the grantee divisions to track grant reporting.
Finding 2011-02	Police Annual Leave Policy
Response	The related Civil Service rule has been amended to allow a one time 18 month "sunset" period to get all employees into compliance.
Finding 2011-03	Theft Allegation
Response	The Louisiana Office of Legislative Auditor and the appropriate local authorities were notified in a timely manner of this incident. New controls have been instituted in the Police Evidence room and the procedures are being followed.
Finding 2011-04	Material Audit Adjustments
Response	This was the result of an error in using new software. The erroneous change in account balances was partially masked by a legitimate change in account balances in the same direction. The issue has been resolved.
Finding 2011-05	Purchasing Procedures
Response	Division Directors will be reminded of the importance of following Purchasing Procedures and a copy of the procedures will be forwarded to each department.
Finding 2011-06	Documentation of Travel Expenses
Response	An additional level of approval was added this year for travel in response to budgetary constraints. Upon review of the existing travel policy, management has decided to extend the deadline for reporting from 30 days after the travel concluded to 90 days in order to allow for more reasonable compliance.

**City of Alexandria, Louisiana  
Management's Corrective Action Plan  
Year Ended April 30, 2011**

<b>Finding 2011-07</b>	<b>Error in Utility Rate Change</b>
<b>Response</b>	Verification by an additional person will be added to the procedures when changing an existing utility rate.
<b>Finding 2011-08</b>	<b>Budget Compliance</b>
<b>Response</b>	<p>The budget prepared for the Risk Management Fund made use of retained earnings in a short term effort to minimize cash transfers to it from the operating funds. Whereas no retained earnings exist in Fiscal 2011 on full accrual basis, this fund was budgeted on a cash basis using cash reserves available in Fiscal 2011. The difference between the cash basis and full accrual basis is primarily actuarially accrued liability, which will not be liquidated in the short term, but at a later period. This fund is budgeted to receive its actuarial funding in Fiscal 2012, and it is management's belief that this funding will be sufficient going forward.</p> <p>The City objects to this finding. This is a sound financial practice, a decision made by the former Finance Director. As a municipality, the City is not required to budget this fund under the express mandate of the Local Government Budget Act, and the City Charter is silent on the question. As a matter of law, the City is not required to appropriate for claims, nor is the City required to fund payment of claims under Louisiana Constitution Article 12, Section 10(A). The City further objects to the characterization made by the auditor that this is a "violation of the spirit of the Charter". This constitutes a legal opinion, not an accounting opinion and is beyond the scope of his audit. The City Attorney is of the opinion that this should not be a finding. Operationally, it would artificially decrease the fund balance and would contradict Council mandated budgetary policy on fiscal surplus. For example, the Rapides Parish Police Jury does not budget at all for general liability claims. That body only pays claims on a case-by-case basis.</p> <p>The City is not required by law to use any actuarial advice to predict the value of future claims. We have chosen, however, to use actuarial advice as a tool, along with historical claims data and legal recommendations as a matter of policy – to budget, evaluate, and pay (settle) legitimate, non frivolous liability cases where fault exists. We consider operation under our policy is a best municipal practice for risk management.</p> <p>Inasmuch as there is no legal requirement that we budget for risk management, it logically follows that there should be no finding for "underfunding" based upon actuarial data alone.</p>

<b>Section II: Findings and Questioned Costs for Federal Awards</b>	
<b>None reported</b>	

<b>Section III: Other Comments and Recommendations (Management Letter)</b>	
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<b>Finding 2011-09</b>	<b>Lease Agreements</b>
<b>Response</b>	Both parties have come to terms, final draft should be forthcoming from Community Receiving Homes, Inc.'s legal counsel.

**Management's Schedule of Prior Year Findings**

**City of Alexandria, Louisiana**  
**Management's Schedule of Prior Year Findings**  
**For the Year Ended April 30, 2010**

<b>Part II:</b>		
Internal Control And Compliance Material to the Financial Statements		
Finding 2010-01	Centralized Recordkeeping for Grant Awards	Not Resolved. See Finding 2011-01
Finding 2010-02	Police and Fire Annual Leave Policy	Partially Resolved See Finding 2011-02
Finding 2010-03	Theft Allegation	Resolved.
<b>Section II:</b>		
Other Comments and Recommendations (Management Letter)		
Finding 2010-04	Lease Agreements	Not Resolved. See Finding 2011-09