

## CITY OF BASTROP, LOUISIANA

## FINANCIAL REPORT

June 30, 2006

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

Release Date 1-31-07**HILL, INZINA & COMPANY**

---

Certified Public Accountants • A Professional Corporation  
701 East Madison Avenue • P. O. Box 631 • Bastrop, Louisiana 71221-0631  
Telephone 318-281-4492 • Fax 318-281-4087 • E-mail [hillinzina@bellsouth.net](mailto:hillinzina@bellsouth.net)

## CONTENTS

	Page(s)
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	1 and 2
REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)	
Management's discussion and analysis	3 - 8
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets - governmental activities	9 and 10
Statement of activities - governmental activities	11
Fund financial statements:	
Balance sheet - governmental funds	12 and 13
Statement of revenues, expenditures, and change in fund balances - governmental funds	14 and 15
Reconciliation of governmental funds balance sheet to government-wide statement of net assets	16
Reconciliation of governmental funds statement of revenues, expenditures, and change in fund balances to government-wide statement of activities	17
Notes to financial statements	18 - 43
REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)	
Budgetary comparison schedules - governmental funds:	
Schedule of revenues, expenditures, and change in fund balance - budget and actual - governmental fund - general fund	44 and 45
Schedule of revenues, expenditures, and change in fund balance - budget and actual - governmental fund - sewer use fee fund	46
Schedule of revenues, expenditures, and change in fund balance - budget and actual - governmental fund - sales tax fund	47
Note to budgetary comparison schedule	48

## OTHER SUPPLEMENTARY INFORMATION

Schedule of general fund revenues - budget and actual	49 and 50
Schedule of general fund current expenditures - budget and actual	51 - 54
Schedule of sewer use fee fund revenues - budget and actual	55
Schedule of sewer use fee fund current expenditures - budget and actual	56
Schedule of sales tax fund revenues - budget and actual	57
Schedule of sales tax fund current expenditures - budget and actual	58
Schedule of mayor's and aldermen's compensation	59
Schedule of expenditures of federal awards	60
Note to schedule of expenditures of federal awards	61

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

62 and 63

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

64 and 65

SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH  
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION

66 - 71

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

72 and 73

# HILL, INZINA & COMPANY

---

---

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

The Honorable Clarence W. Hawkins, Mayor,  
and Members of the Board of Aldermen  
City of Bastrop, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2006, 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'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.

As discussed in Note 8 to the financial statements, management has not recorded capital assets of the governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amounts by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the City as of June 30, 2006, and the changes in financial position thereof for the year then ended.

-1-

Certified Public Accountants • A Professional Corporation  
701 East Madison Avenue • P. O. Box 631 • Bastrop, Louisiana 71221-0631  
Telephone 318-281-4492 • Fax 318-281-4087 • E-mail [hillinzina@bellsouth.net](mailto:hillinzina@bellsouth.net)

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the City as of June 30, 2006, and the respective changes in financial position of each major fund 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 31, 2006 on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Management's discussion and analysis and the budgetary comparison schedules, presented as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the required supplementary information and express no opinion on it. The other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

s\HILL, INZINA & CO.

October 31, 2006

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

## CITY OF BASTROP, LOUISIANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 2006

As management of City of Bastrop, Louisiana (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the City's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and supplementary information that are provided in addition to this discussion and analysis of management.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net assets and statement of activities, seeking to give the users of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening. Evaluation of the overall economic health of the City would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the City's net assets changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the City's distinct activities or functions on revenues provided by the citizenry of the City.

The government-wide financial statements report governmental activities of the City that are principally supported by taxes and intergovernmental revenues. Governmental activities include general administrative services, public safety, public works, sanitation, and public improvements.

## 2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of the City are governmental funds that are used to account for all of the City's basic services and are reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.

## 3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

In addition to the basic financial statements, the City also includes in this report additional information to supplement the basic financial statements.



### Government-Wide Financial Analysis

The following provides a summary of the net assets (in thousands of dollars) of the City's governmental activities as of June 30:

	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 8,976	\$ 5,333
Other liabilities	\$ 540	\$ 488
Long-term liabilities	<u>11,534</u>	<u>9,433</u>
Total liabilities	<u>\$ 12,074</u>	<u>\$ 9,921</u>
Net assets:		
Restricted	\$ 3,474	\$ 2,553
Unrestricted (deficit)	<u>( 6,572)</u>	<u>( 7,141)</u>
 Total net assets	 <u>\$ ( 3,098)</u>	 <u>\$ ( 4,588)</u>

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. Restricted net assets of the governmental activities represent resources that are subject to external restrictions as to how they may be used.

No capital assets or depreciation were recorded in the governmental activities of the government-wide financial statements as additional time is needed to complete the inventory, however, long-term liabilities associated with these capital assets was recording resulting in the governmental activities having deficit unrestricted net assets. Recording of the capital assets in the future will increase the assets, net assets, and expenses of the governmental activities.

The following summarizes the City's net asset changes (in thousands of dollars) of the governmental activities between the two years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,003	\$ 1,941
Operating grants and contributions	760	626
Capital grants and contributions	551	822
General revenues:		
Taxes	9,505	8,522
Intergovernmental	681	471
Unrestricted investment earnings	248	96
Miscellaneous	48	205
Total revenues	<u>\$ 13,796</u>	<u>\$ 12,683</u>
Expenses:		
General government	\$ 3,266	\$ 2,596
Public safety	4,980	5,787
Public works	2,041	1,805
Sanitation	1,452	1,581
Debt service	565	385
Total expenses	<u>\$ 12,304</u>	<u>\$ 12,154</u>
Excess before special item	\$ 1,492	\$ 529
Special item	<u>-</u>	<u>358</u>
Increase in net assets	<u>\$ 1,492</u>	<u>\$ 887</u>

The City's total revenues increased by \$1,113,000 while the total cost of all programs and services increased by only \$150,000. The majority of the revenue increase was attributable to the receipt of more taxes. 40.5% of the total current year's expenses related to the provision of public safety (fire and police services).

General revenues are those available for the City to pay for the governmental activities. For the year ended June 30, 2006, taxes were the largest general revenue source for the City and charges for services were second. Sales taxes were the largest tax revenue source.

Program revenues derive directly from the program itself or from parties outside the City's taxpayers or citizenry. As a whole, they reduce the cost of the function to be financed from the City's general revenues.

## Financial Analysis of Governmental Funds

As of June 30, 2006, the City's governmental fund reported combined ending fund balances of \$8,473,645, an increase of \$3,586,500 from \$4,887,145 as of June 30, 2005. The majority of the increase resulted from long-term debt proceeds. Reserved fund balances from June 30, 2005 to June 30, 2006 increased from \$4,301,021 to \$7,425,089 due to collections of dedicated sales tax revenue.

### Budgetary Highlights

The City made amendments to all of its budgets, but actual expenditures and other financing uses of \$633,092 of the Sales Tax Fund exceeded budgeted expenditures and other financing uses of \$489,220 for the year ended June 30, 2006 by \$143,872 or 29.41%. The significant unfavorable variance resulted from inadequate appropriations for testing and engineering fees.

### Capital Assets and Debt Administration

As discussed previously, capital assets nor depreciation were recorded in the governmental activities of the government-wide financial statements.

As of June 30, 2006, the City had long-term liabilities comprised of the following:

Certificates of indebtedness	\$ 291,000
Capital leases	25,442
Compensated absences	205,585
Pension liabilities	391,873
Sewer revenue bonds	7,870,000
Sales tax revenue bonds	<u>2,750,000</u>
Total long-term liabilities	<u>\$ 11,533,900</u>

All debt service requirements of the current fiscal year were timely met. The majority of long-term debt liabilities incurred for the year ended June 30, 2006 were for street and related improvements while the majority of debt retirements were made for sewer revenue bonds.

## Economic Factor's and Next Year's Budget

The following factors were considered in preparing the City's budget for the fiscal year ending June 30, 2007:

The Firefighters' Retirement System of Louisiana mandated an increase in employer contributions to 21% several years ago but as of July 1, 2006, the employer's contribution was decreased to 15.5%, lowering the City's annual contribution by over \$39,000.

Ad valorem tax receipts are projected to remain stable from the previous fiscal year, and have been projected at \$3,000,000.

Sales tax revenues are also expected to remain unchanged for the first half of the fiscal year but new retail expansion should cause these revenues to increase in the last half of the fiscal year ending June 30, 2007.

As was the case in recent years, no capital improvements were budgeted as funds are unavailable.

### Requests for Information

This financial report is designed to provide a general overview of the City's financial picture for all those with an interest in the City's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City Clerk, P.O. Box 431, Bastrop, Louisiana 71221-0431.

BASIC FINANCIAL STATEMENTS

CITY OF BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES

June 30, 2006

ASSETS

Cash	\$ 3,894,071
Pooled deposits	1,958,519
Receivables:	
Accounts	145,143
Taxes	422,979
Inventory	74,815
Due from other governments	232,509
Restricted assets:	
Cash	100,069
Money market mutual funds	288,974
Pooled deposits	1,781,158
Loans receivable	<u>78,196</u>
Total assets	<u>\$ 8,976,433</u>

(continued)

CITY OF BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES (Continued)

June 30, 2006

LIABILITIES

Accounts payable	\$ 358,344
Deferred revenue	50,000
Accrued salaries	58,004
Refund due	35,323
Payable from restricted assets	1,117
Accrued interest	37,336
Long-term liabilities:	
Due within one year	1,030,409
Due in more than one year	<u>10,503,492</u>
Total liabilities	<u>\$ 12,074,058</u>

NET ASSETS

Restricted for construction	\$ 3,473,943
Unrestricted (deficit)	<u>( 6,571,568)</u>
Total net assets	<u>\$( 3,097,625)</u>
Total liabilities and net assets	<u>\$ 8,976,433</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
As of and for the Year Ended June 30, 2006

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs:			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Current:					
General government	\$ 3,266,312	\$ 768,622	\$ 457,394	\$ 512,493	\$( 1,527,803)
Public safety	4,980,252	183,737	302,816	-	( 4,493,699)
Public works	2,040,664	21,907	-	38,666	( 1,980,091)
Sanitation	1,452,232	1,028,423	-	-	( 423,809)
Debt service:					
Interest and fiscal charges	501,411	-	-	-	( 501,411)
Costs of debt issuance	<u>63,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 63,560)</u>
Totals	<u>\$ 12,304,431</u>	<u>\$ 2,002,689</u>	<u>\$ 760,210</u>	<u>\$ 551,159</u>	<u>\$( 8,990,373)</u>

General revenues:	
Taxes	\$ 9,504,798
Intergovernmental	680,744
Unrestricted investment earnings	248,465
Miscellaneous	<u>47,503</u>
Total general revenues	<u>\$ 10,481,510</u>

Changes in net assets	\$ 1,491,137
Net assets - beginning (deficit)	<u>( 4,588,762)</u>
Net assets - ending (deficit)	<u>\$( 3,097,625)</u>

See notes to financial statements.



CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

ASSETS	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Cash	\$ 272,204	\$ 113,497	\$ 3,508,370	\$ 3,894,071
Pooled deposits	484,164	1,474,355	-	1,958,519
Receivables:				
Accounts	-	145,143	-	145,143
Taxes	420,008	-	2,971	422,979
Inventory	74,815	-	-	74,815
Due from other governments	232,509	-	-	232,509
Restricted assets:				
Cash	1,488	25,099	73,482	100,069
Money market mutual funds	-	288,974	-	288,974
Pooled deposits	-	1,781,158	-	1,781,158
Loans receivable	<u>78,196</u>	<u>-</u>	<u>-</u>	<u>78,196</u>
 Total assets	 <u>\$ 1,563,384</u>	 <u>\$ 3,828,226</u>	 <u>\$ 3,584,823</u>	 <u>\$ 8,976,433</u>

(continued)

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)

June 30, 2006

LIABILITIES AND FUND BALANCES	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
<b>Liabilities:</b>				
Accounts payable	\$ 345,198	\$ 1,280	\$ 11,866	\$ 358,344
Deferred revenue	-	-	50,000	50,000
Accrued salaries	58,004	-	-	58,004
Refund due	35,323	-	-	35,323
Payable from restricted asset	<u>1,117</u>	<u>-</u>	<u>-</u>	<u>1,117</u>
Total liabilities	<u>\$ 439,642</u>	<u>\$ 1,280</u>	<u>\$ 61,866</u>	<u>\$ 502,788</u>
<b>Fund balances:</b>				
Reserved for net restricted asset	\$ 371	\$ -	\$ -	\$ 371
Reserved for inventory	74,815	-	-	74,815
Reserved for sewage system	-	3,826,946	-	3,826,946
Reserved for street and related improvements	-	-	3,522,957	3,522,957
Unreserved and undesignated	<u>1,048,556</u>	<u>-</u>	<u>-</u>	<u>1,048,556</u>
Total fund balances	<u>\$ 1,123,742</u>	<u>\$ 3,826,946</u>	<u>\$ 3,522,957</u>	<u>\$ 8,473,645</u>
 Total liabilities and fund balances	 <u>\$ 1,563,384</u>	 <u>\$ 3,828,226</u>	 <u>\$ 3,584,823</u>	 <u>\$ 8,976,433</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2006

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
<b>Revenues:</b>				
Taxes	\$ 8,667,868	\$ -	\$ 836,930	\$ 9,504,798
Licenses and permits	487,233	-	-	487,233
Intergovernmental	1,889,127	-	-	1,889,127
Fees, charges, and commissions for services	249,335	1,028,423	-	1,277,758
Fines and forfeitures	151,661	-	-	151,661
Interest and miscellaneous	293,918	149,546	41,527	484,991
Total revenues	<u>\$11,739,142</u>	<u>\$ 1,177,969</u>	<u>\$ 878,457</u>	<u>\$13,795,568</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	\$ 2,665,636	\$ -	\$ -	\$ 2,665,636
Public safety	4,876,788	-	-	4,876,788
Public works	1,786,702	-	144,372	1,931,074
Sanitation	920,251	495,706	-	1,415,957
<b>Debt service:</b>				
Principal	1,655,800	460,000	250,000	2,365,800
Interest and fiscal charges	65,865	315,335	120,210	501,410
Costs of debt issuance	-	-	63,560	63,560
Capital outlay	797,228	36,665	54,950	888,843
Total expenditures	<u>\$12,768,270</u>	<u>\$ 1,307,706</u>	<u>\$ 633,092</u>	<u>\$14,709,068</u>
Excess (deficiency) of revenues over expenditures	<u>\$(1,029,128)</u>	<u>\$( 129,737)</u>	<u>\$ 245,365</u>	<u>\$( 913,500)</u>

(continued)

CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)  
 As of and for the Year Ended June 30, 2006

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Other financing sources (uses):				
Operating transfers in (out)	\$( 3,857)	\$ 3,857	\$ -	\$ -
Revenue anticipation note proceeds	1,500,000	-	-	1,500,000
Long-term debt proceeds	<u>-</u>	<u>-</u>	<u>3,000,000</u>	<u>3,000,000</u>
Total other financing sources (uses)	<u>\$ 1,496,143</u>	<u>\$ 3,857</u>	<u>\$ 3,000,000</u>	<u>\$ 4,500,000</u>
Net change in fund balances	\$ 467,015	\$( 125,880)	\$ 3,245,365	\$ 3,586,500
Fund balances - beginning	<u>656,727</u>	<u>3,952,826</u>	<u>277,592</u>	<u>4,887,145</u>
Fund balances - ending	<u>\$ 1,123,742</u>	<u>\$ 3,826,946</u>	<u>\$ 3,522,957</u>	<u>\$ 8,473,645</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2006

Total fund balances - governmental funds balance sheet \$ 8,473,645

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

Bonds payable and accrued interest are not due and payable in the current  
period and therefore are not reported in the funds. (11,571,270)

Total net assets (deficit) of governmental activities - government-wide  
statement of net assets \$( 3,097,625)

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

June 30, 2006

Net change in fund balances - governmental funds \$ 3,586,500

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

Government funds report debt proceeds as current financial resources.  
However, in the statement of activities, debt proceeds increase long-term  
liabilities. This is the amount of current debt proceeds. ( 4,500,000)

Governmental funds report principal and interest payments on long-term  
obligations as an expense when actually paid. However, in the statement of  
activities, interest is expensed as accrued and principal payments are reported  
as reductions of the related debt. This is the amount related to these reporting  
differences. 2,404,637

Changes in net assets of governmental activities - government-wide  
statement of activities \$ 1,491,137

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2006

Note 1. Organization and Summary of Significant Accounting Policies

City of Bastrop, Louisiana (the "City"), operates under a mayor-board of aldermen form of government in accordance with the provisions of the charter adopted July 3, 1952. Citizens elect the mayor (at large) and five council members (by districts) who are each compensated. The City is located in northeast Louisiana, its population is approximately 13,000, and it employs approximately 200 people.

The following services are provided as authorized by its charter: general administrative services, public safety (police and fire), public works (building maintenance, cemetery, health, recreation, and streets), sanitation, and public improvements.

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

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. the ability of the municipality to impose its will on that organization and/or
  - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

## NOTES TO FINANCIAL STATEMENTS

Based on the criteria, the City has determined that City of Bastrop Sales Tax District No. 1 is a component unit of the reporting entity. As required by generally accepted accounting principles, these financial statements present the primary government (the City) and its component unit. The component unit is reported as part of the municipality and blended with the appropriate municipality funds.

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality, are blended component units. For a component unit to be blended, the organization's board and the municipality's must be substantively the same or the organization must provide services entirely or almost entirely to the municipality.

Also considered in the determination of component units of the reporting entity were Bastrop City Marshal and City Court of Bastrop. It was determined that these governmental entities are not component units of the City's reporting entity because they are staffed by independently elected officials, are legally separate, and are fiscally independent of the City.

The more significant of the City's accounting policies are described below:

### Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements report governmental activities, generally supported by taxes and intergovernmental revenues. The City has no business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report licenses, permits, fees, fines, forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.



## NOTES TO FINANCIAL STATEMENTS

### Fund Financial Statements:

Fund financial statements are provided for governmental funds with major individual governmental funds reported in separate columns.

### Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include services provided to City departments. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest related to long-term debt, as well as expenditures related to compensated absences, which are reported as expenditures only when payment is due.

Major revenue sources susceptible to accrual are ad valorem taxes, sales taxes, gross receipts taxes, intergovernmental revenues, and sewer use fees. In general, other revenues are recognized when cash is received.

### Fund Types and Major Funds:

The City reports the following major governmental funds:

General Fund - the general operating fund of the City and accounts for all financial resources, except those required to be accounted for in other funds.

Sewer Use Fee Fund - accounts for a dedicated source of revenue available for repayment of funds borrowed to make improvements to the sewage treatment and collection systems.

## NOTES TO FINANCIAL STATEMENTS

Sales Tax Fund - accounts for a dedicated source of revenue available for maintaining, improving, repairing, and extending streets, sidewalks, alleys, roadways, and related drainage within the territorial limits of City of Bastrop Sales Tax District No. 1.

### Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General Fund and Special Revenue Funds (Sewer Use Fee and Sales Tax) on June 9, 2005. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The City Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures, resulting from revenues exceeding amounts estimated, must be approved by the Board of Aldermen. Final amendments were made to all budgets on June 30, 2006 and the budgetary comparison schedules, included as supplementary information in the accompanying financial statements, include the original and final amended budgeted amounts. All annual appropriations lapse at the end of each fiscal year.

### Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Cash:

Cash includes amounts in interest-bearing demand and time deposits. Under state law, the City may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

### Money Market Mutual Funds and Pooled Deposits:

Money market mutual funds and pooled deposits are stated at fair value based on quoted market values. The fair value of the deposits is determined on a weekly basis to monitor any variances between amortized cost and market value. Legally binding guarantees have not been obtained to support the value of the deposits as all are short-term, highly-liquid securities.

## NOTES TO FINANCIAL STATEMENTS

State statutes authorize the City to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer in 1993 and organized under the laws of the State of Louisiana, which operates a local government investment pool.

### Receivables and Due From Other Governments:

Significant receivables include franchise taxes, sales taxes, intergovernmental revenues, and amounts due from customers for utility services. Un-billed utility service receivables resulting from utility services rendered from the last date prior to the end of the fiscal year that meters were read to the end of the fiscal year are included in the amounts recorded as due from utility customers. Intergovernmental receivables are primarily comprised of amounts due for capital assets acquired, constructed, or rehabilitated with grants. Revenue from grants is recorded as earned when eligibility requirements are met. Also recorded are receivables for economic development loans.

### Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. City management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

### Inventory:

Inventory of the General Fund consists of expendable supplies held for consumption and is reported at cost. Expenditures are recognized when the items are purchased.

### Interfund Transactions:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/from other funds (i.e. the current portion of interfund loans) in the fund financial statements.

Transfers and payments within the reporting entity that are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis are reported as operating transfers between funds of the reporting entity.

## NOTES TO FINANCIAL STATEMENTS

Interfund transactions are eliminated in the government-wide financial statement of activities within the segregated governmental activities.

### Restricted Assets:

Restricted assets are reported for cash, money market mutual funds, or pooled deposits legally restricted for specified uses such as payment of debt service and fiscal fees on long-term debt.

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

### Capital Assets and Depreciation:

Accounting principles generally accepted in the United States of America require that capital assets be recorded for the governmental activities in the government-wide financial statements. As accurate historical costs of the assets of the governmental activities could not be determined by the City as of June 30, 2006, no capital assets are recorded for the governmental activities in the government-wide financial statements. Costs incurred during the current fiscal year for infrastructure and capital assets in the governmental activities have been recorded as capital outlay expenditures.

The City has until the fiscal year beginning after June 15, 2007 to record major general infrastructure assets of the governmental activities. Retroactively reporting infrastructure assets is encouraged at the transition but not required.

### Deferred Revenue:

The City reports deferred revenue which arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

### Accumulated Compensated Absences:

Allowable annual vacation and sick leave is prescribed by municipal ordinance, based on length of continuous employment by the City, accrued on an employment anniversary basis, and accrued to specified maximums. Compensatory time is also granted to supervisory personnel in lieu of overtime pay. Employees may accumulate unused compensatory time which is paid to the employee in the form of time off or at the employee's current rate of pay upon separation from service.

## NOTES TO FINANCIAL STATEMENTS

The City's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Compensated absences are paid from the fund responsible for the employee's compensation with all liabilities payable from the General Fund.

## NOTES TO FINANCIAL STATEMENTS

### Long-Term Liabilities:

Accrued compensated absences, outstanding debt, and the related accrued interest is reported as liabilities in the government-wide financial statements. The fund financial statements recognize proceeds of debt as other financing sources of the current period. Expenditures for compensated absences, long-term debt principal, and interest payments are recorded in the fund financial statements only when payment is due.

### Equity Classifications:

In the government-wide financial statements, equity is classified as net assets and classified into two components:

1. Restricted - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted - consists of all other assets.

In the fund financial statements, governmental fund balances are classified as reserved or unreserved, with unreserved further classified as undesignated as amounts are available for appropriation and not legally restricted for specified purposes. Fund balance is reserved for amounts not available for appropriation or legally restricted for specified purposes.

### Revenue Recognition - Ad Valorem and Sales/Use Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the City in September or October, are actually billed to the taxpayers in November, and are due and payable on or before January 1 of the following year. All unpaid taxes become delinquent on March 15 of the following year. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish.

Sales/use taxes collected and held by other governments at year end on behalf of the City and those collected by other governments and remitted to the City within 60 days after June 30 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the City.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash and Deposits

The following is a summary of cash and deposits of the City as of June 30, 2006:

Non-pooled deposits:	
Interest-bearing demand deposits	\$ 3,991,940
Petty cash	2,200
Money market mutual funds	288,974
Pooled deposits	<u>3,739,677</u>
	<u>\$ 8,022,791</u>

The non-pooled deposits are stated at cost, which approximates market. Under state law, the non-pooled deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the City or its agent in the name of the City in a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2006, the City had \$4,676,225 in non-pooled demand deposits (collected bank balances). These deposits were secured from risk by \$200,000 of federal deposit insurance (GASB Category 1) and \$3,476,225 of pledged securities held by the City or its agent in the City's name (GASB Category 1).

Collateralization is not required for investments in money market mutual funds.

Pooled deposits are held as of June 30, 2006 by Louisiana Asset Management Pool, Inc. (LAMP) and the corporate trust department of Regions Bank. In accordance with GASB, the pooled deposits held by the City as of June 30, 2006 are not categorized in the three risk categories provided by GASB because the pooled deposits are in pools of funds and thereby not evidenced by securities that exist in physical or book entry form.

LAMP is administered by a Louisiana non-profit corporation, LAMP, Inc., which is governed by a board of members elected by the pool's participants each year at the annual meeting. The objective of LAMP is to provide safety of principal and daily liquidity with a competitive rate of return. LAMP invests its assets only in securities and other obligations that are permissible under Louisiana state law for local governments. Regions Bank restricts its investments to securities issued, guaranteed, or otherwise backed by the U.S. Treasury, the U.S. government, or one of its agencies or instrumentalities, government-only money market funds rated AAAM by Standard & Poor's, and commercial paper of domestic United States corporations rated A-1 or A-1+ by Standard & Poor's.

There were no repurchase or reverse repurchase agreements as of June 30, 2006.

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Due From Other Governments

The following is a summary of receivables and due from other governments of the governmental activities as of June 30, 2006:

	General <u>Fund</u>	Sewer Use Fee <u>Fund</u>	Sales Tax <u>Fund</u>	<u>Totals</u>
Taxes:				
Franchise	\$ 88,302	\$ -	\$ -	\$ 88,302
Sales	331,706	-	2,971	334,677
Intergovernmental:				
Federal	20,428	-	-	20,428
State	205,685	-	-	205,685
Local	6,396	-	-	6,396
User fees:				
Sewer	-	145,143	-	145,143
	<u>\$ 652,517</u>	<u>\$ 145,143</u>	<u>\$ 2,971</u>	<u>\$ 800,631</u>

Note 4. Taxes

For the year ended June 30, 2006, ad valorem taxes of 39.35 mills were levied on property with assessed valuations totaling \$77,249,590 as follows:

	Maximum <u>Millage</u>	Authorized <u>Millage</u>	Expiration <u>Date</u>
General corporate purposes	9.58	9.26	Perpetual
Police	6.80	6.57	2021
Street improvements	6.80	6.57	2021
Sewer maintenance	6.80	6.57	2021
Fire (#1)	3.40	3.29	2021
Fire (#2)	3.23	3.23	2023
Recreation	2.56	2.56	2023
Cemetery	.65	.65	2023
Building maintenance	.65	.65	2023



NOTES TO FINANCIAL STATEMENTS

The following is the principal ad valorem taxpayer for the City:

	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue</u>
International Paper Company	\$ 33,283,950	43.09%	\$ 1,309,723

Total ad valorem taxes levied were \$3,039,786. There were no uncollected ad valorem taxes as of June 30, 2006.

As of June 30, 2006, the following sales and use taxes were levied:

<u>Rate</u>	<u>Purpose</u>	<u>Expiration Date</u>
½%	any lawful municipal purposes	June 1, 2010
½%	any lawful municipal purposes	August 1, 2009
1%	any and all lawful municipal purposes	August 1, 2008
½%	general, fire, and police operations	Perpetual
½%	streets, sidewalks, alleys, roadways, and related drainage	December 31, 2014

**Note 5. Interfund Balances and Transfers**

During the year ended June 30, 2006, the General Fund repaid \$150,000 to the Sewer Use Fee Fund that was borrowed in the prior fiscal year to pay general expenses until ad valorem tax revenues were received in November and December of 2005.

Operating transfers of \$3,857 were made from the General Fund to the Sewer Use Fee Fund during the year ended June 30, 2006.

**Note 6. Restricted Assets and Liabilities Payable From Same**

Restricted assets of \$1,806,257 of the Sewer Use Fee Fund and \$73,482 of the Sales Tax Fund consist of funds required by revenue bond loan and pledge agreements to be maintained and the use is restricted by the agreements.

NOTES TO FINANCIAL STATEMENTS

Note 7. Loans Receivable

The General Fund made loans to local businesses to purchase industrial park lots during the year ended June 30, 2002. The terms and balances of these outstanding individual loans as of June 30, 2006 are as follows:

<u>Lendee</u>	<u>Original Note</u>	<u>Monthly Payment</u>	<u>Term in Months</u>	<u>Beginning Date of Payments</u>	<u>Interest Rate</u>	<u>Balance June 30, 2006</u>
Foley & McIntyre, Inc.	\$ 22,500	\$ 684	36	January 1, 2004	6.00%	\$ 22,500
Jireh Plastics and Assemblies, L.L.C.	4,500	137	36	January 1, 2004	6.00%	4,500
3-D Trucking, L.L.C.	<u>18,000</u>	548	36	November 1, 2003	6.00%	<u>17,542</u>
	<u>\$ 45,000</u>					<u>\$ 44,542</u>

The loans made provision for payment by economic impact credits if the businesses employed the required number of full-time, local employees during the stated consecutive quarters of the 2003 calendar year. Failure by all parties to meet the defined economic impact credits and/or ceasing operations resulted in initial payments becoming due on November 1, 2003 or January 1, 2004. As of June 30, 2006, only one monthly payment had been received from one party.

In previous years, the City made low-interest loans to qualified applicants who used the loan proceeds for economic development and the creation of jobs. As of June 30, 2006, the terms and balances of these outstanding individual loans are as follows:

<u>Lendee</u>	<u>Original Note</u>	<u>Monthly Payment</u>	<u>Term in Months</u>	<u>Beginning Date of Payments</u>	<u>Interest Rate</u>	<u>Balance June 30, 2006</u>
Henry C. Cotton	\$ 18,000	\$ 298	72	August 10, 2000	6.00%	\$ 3,108
Bennie J. and Bessie M. Johnson	12,000	282	48	December 20, 2000	6.00%	1,130
Foley Mechanical, L.L.C.	<u>36,000</u>	1,079	36	May 1, 2003	5.00%	<u>29,416</u>
	<u>\$ 66,000</u>					<u>\$ 33,654</u>

As of June 30, 2006, management of the City determined that an outstanding balance of \$5,000 on another loan made for similar purposes was uncollectible due to the lendee declaring bankruptcy, ceasing operations, etc. and expensed the amount as a bad debt in the General Fund.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Capital Assets

As of the date of this report, the City was unable to provide sufficient evidence to verify the historical costs associated with capital assets of the governmental activities; therefore, no capital assets or the related accumulated and current depreciation have been recorded for the governmental activities. Capital assets are presumed to be material in relation to the City's governmental activities; therefore, the omission of the presentation of all capital assets in the basic financial statements has resulted in the issuance of an adverse opinion on the governmental activities opinion unit.

The City's recording of capital assets and depreciation in the next fiscal year will result in material prior period adjustments to the financial statements prepared as of and for the year ended June 30, 2006.

### Note 9. Short-Term Debt

On August 24, 2005, the City issued a \$1,500,000 revenue anticipation note for the purpose of paying current general expenses for the fiscal year ended June 30, 2006. The maturity date was on or before March 1, 2006 and the City paid the note in full with interest thereon in January 2006.

NOTES TO FINANCIAL STATEMENTS

Note 10. Changes in Long Term Debt

The following is a summary of long-term debt transactions of the governmental activities of the City for the year ended June 30, 2006:

	General Fund		Pension Liabilities	Sewer Use Fee Fund	Sewer Use Fee Fund	Sales Tax Fund	Totals
	Certificates of Indebtedness	Capital Leases	Compen-sated Absences	Revenue Bonds	Revenue Bonds	Revenue Bonds	
Long-term debt payable - July 1, 2005	\$ 367,315	\$ 49,515	\$ 219,861	\$ 8,330,000	\$ -	\$ 3,000,000	\$ 9,433,180
Additions	8,828	-	-	-	-	3,000,000	3,008,828
Retirements	( 85,143)	( 24,073)	( 14,276)	( 460,000)	( 250,000)	( 250,000)	( 908,108)
Long-term debt payable - June 30, 2006	\$ 291,000	\$ 25,442	\$ 205,585	\$ 7,870,000	\$ 7,870,000	\$ 2,750,000	\$ 11,533,900

The following is a summary of the current (due within one year) and long-term (due in more than one year) portions of long-term obligations of the governmental activities as of June 30, 2006:

	General Fund		Pension Liabilities	Sewer Use Fee Fund	Sewer Use Fee Fund	Sales Tax Fund	Totals
	Certificates of Indebtedness	Capital Leases	Compen-sated Absences	Revenue Bonds	Revenue Bonds	Revenue Bonds	
Current portion	\$ 43,500	\$ 25,442	\$ 152,384	\$ 470,000	\$ 470,000	\$ 260,000	\$ 1,030,408
Long-term portion	247,500	-	53,201	7,400,000	7,400,000	2,490,000	10,503,492
	\$ 291,000	\$ 25,442	\$ 205,585	\$ 7,870,000	\$ 7,870,000	\$ 2,750,000	\$ 11,533,900

(This page intentionally printed in this format due to spacing restrictions.)

## NOTES TO FINANCIAL STATEMENTS

The outstanding certificates of indebtedness and bonds as of June 30, 2006 are comprised of the following individual issues:

Certificates of Indebtedness Series 2002 - dated July 11, 2002, non-interest bearing, principal due July 1 of each year.

Certificates of Indebtedness Series 2002 - dated July 11, 2002, bear interest at 5.0% per annum, interest due January 1 and July 1 of each year, principal due July 1 of each year.

The City issued the certificates of indebtedness to Louisiana Public Facilities Authority (\$67,500) and to a local bank (\$382,500) for the purpose of (a) refunding prior certificates; (b) paying costs of acquiring public works equipment; (c) the acquisition, construction, and installation of improvements to the City's infrastructure, including streets and drainage; and (d) paying costs incurred in connection with the issuance of the certificates.

The certificates are payable as to principal and interest from an irrevocable pledge and dedication of the City's excess revenues above statutory, necessary, and usual charges in each fiscal year during which the certificates are outstanding.

\$7,500,000 Sewer Revenue Bonds - dated December 1, 1994, bear interest at 2.45% per annum, interest and principal payable July 1 of each year.

\$1,700,00 Sewer Revenue Bonds - dated November 1, 2002, bear interest at a rate not to exceed 7.0% per annum, interest due May 1 and November 1 of each year, principal due November 1 of each year.

\$2,100,00 Sewer Revenue Bonds - dated September 24, 2003, bear interest at a rate not to exceed 6.0% per annum, interest due May 1 and November 1 of each year, principal due November 1 of each year.

Proceeds of the sewer revenue bonds dated in 1994 were received in two separate series and for the purpose of financing the acquisition and construction of extensions and improvements to the City's sewage and wastewater collection, treatment, and disposal systems.

The proceeds of the sewer revenue bonds dated in 2002 and 2003 were for the purpose of providing funds to (a) construct and acquire improvements, extensions, replacements, and renovations to the City's sewage system, including appurtenant equipment, accessories, and properties, both personal and real; (b) fund the reserve requirement; and (c) pay the costs of issuance of the bonds.

## NOTES TO FINANCIAL STATEMENTS

The sewer revenue bonds are payable as to principal, interest, and administrative fees solely from the revenues and income derived or to be derived from the operation of the sewage system.

\$3,000,000 Sales Tax Revenue Bonds - dated July 1, 2005, bear interest at rate varying from 3.85% to 4.05%, interest and principal payable July 1 of each year.

Proceeds of the sales tax revenue bonds were for the purpose of maintaining, improving, repairing, and extending the streets, sidewalks, alleys, roadways, and related drainage within the territorial limits of City of Bastrop Sales Tax District No. 1.

The bonds are payable solely from and secured by an irrevocable pledge and dedication of the avails or proceeds of a one-half percent sales and use tax subject only to the prior payment of the reasonable and necessary costs and expenses of collecting and administering the tax.

All of the bond covenants contain significant requirements for annual debt service and flow of funds through various restricted accounts. Specifically, the revenue bond indentures require the use of revenue, bond proceeds, operations and maintenance, reserve, sinking, construction, and renewal and replacement accounts. The City is in compliance with all significant requirements of the various bond covenants.

The interest and principal payments on both the certificates of indebtedness and bonds due July 1 of the succeeding fiscal year are consistently being reported and budgeted by the City in the current fiscal year when payments are actually made.

## NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize the certificates of indebtedness, pension liabilities, and revenue bonds of the governmental activities as of June 30, 2006 are as follows:

Year Ending June 30,	<u>General Fund</u>		<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
	<u>Certificates of Indebtedness</u>	<u>Pension Liabilities</u>	<u>Sewer Revenue Bonds</u>	<u>Sales Tax Revenue Bonds</u>	
2007	\$ 43,500	\$ 79,082	\$ 470,000	\$ 260,000	\$ 852,582
2008	45,000	82,572	485,000	270,000	882,572
2009	47,000	86,305	505,000	280,000	918,305
2010	49,000	78,577	510,000	295,000	932,577
2011	52,000	65,337	535,000	305,000	957,337
2012 - 16	54,500	-	2,930,000	1,340,000	4,324,500
2017 - 21	-	-	795,000	-	795,000
2022 - 26	-	-	1,015,000	-	1,015,000
2027 - 29	-	-	625,000	-	625,000
<b>Totals</b>	<b>\$ 291,000</b>	<b>\$ 391,873</b>	<b>\$ 7,870,000</b>	<b>\$ 2,750,000</b>	<b>\$ 11,302,873</b>

The City incurred and charged to expense \$473,585 of interest costs during the year ended June 30, 2006. The annual requirements to amortize all interest and administrative fees applicable to the certificates of indebtedness, pension liabilities, and revenue bonds of the governmental activities as of June 30, 2006 are as follows:

Year Ending June 30,	<u>General Fund</u>		<u>Sewer Use Fee Fund</u>		<u>Sales Tax Fund</u>	<u>Totals</u>
	<u>Certificates of Indebtedness</u>	<u>Pension Liabilities</u>	<u>Sewer Revenue Bonds</u>	<u>Administrative Fees</u>	<u>Sales Tax Revenue Bonds</u>	
2007	\$ 13,875	\$ 20,065	\$ 276,028	\$ 21,450	\$ 109,264	\$ 440,682
2008	12,375	16,576	263,723	19,575	99,176	411,425
2009	10,125	12,843	250,720	17,650	88,646	379,984
2010	7,775	8,848	237,129	15,650	77,642	347,044
2011	5,325	4,574	222,880	13,625	65,990	312,394
2012 - 16	2,725	-	876,774	35,275	137,650	1,052,424
2017 - 21	-	-	537,8	-	-	537,816
2022 - 25	-	-	307,703	-	-	307,703
2027 - 29	-	-	43,763	-	-	43,763
<b>Totals</b>	<b>\$ 52,200</b>	<b>\$ 62,906</b>	<b>\$ 3,016,536</b>	<b>\$ 123,225</b>	<b>\$ 578,368</b>	<b>\$ 3,833,235</b>

## NOTES TO FINANCIAL STATEMENTS

The City's outstanding capital lease agreement is for a pumper with an original recorded amount of \$169,050. The lease will be paid in full during the year ending June 30, 2007 with future minimum lease payments of \$26,890 of which \$1,448 represents interest.

As of June 30, 2006, employees of the City had accumulated and vested \$205,585 of employee leave benefits.

### Note 11. Fund Balances - Reserved

The net difference in the General Fund of the restricted assets and the liabilities payable therefrom has been reserved to indicate the current unavailability of the net assets to pay current expenditures.

Inventory at year end is equally offset by a fund balance reservation of the General Fund under the purchase method.

Revenues collected by the Sewer Use Fee Fund are dedicated for repayment of funds borrowed for acquisition, construction, and improvements to the sewage and wastewater collection, treatment, and disposal systems; therefore fund balance is reserved. Likewise, fund balance of the Sales Tax fund has been reserved as revenues collected by the fund are dedicated for maintaining, improving, repairing, and extending streets and related improvements.

### Note 12. Deferred Compensation Plan

The City offers all full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency except for a one-time withdrawal which is subject to certain restrictions.

All assets of the plan, including all deferred amounts, property, and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property, or rights, are held in a qualified trust, custodial account, or annuity contract for the exclusive benefit of the participants and beneficiaries. The assets are not subject to the claims of the City's creditors nor can they be used by the City for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.



## NOTES TO FINANCIAL STATEMENTS

### Note 13. Pension Plans and Other Pension Liabilities

For the year ended June 30, 2006, the City paid retirement benefits of \$80,249 from the General Fund to firemen who were already receiving benefits prior to December 1981. In December 1981, active City firemen were accepted into the Firefighters' Retirement System of Louisiana. The liability associated with this acceptance has been recorded in the government-wide financial statements as General Fund debt.

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

#### Municipal Employees' Retirement System of Louisiana (the "System"):

##### Plan Description:

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 16.0% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial variation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System under Plan A for the years ended June 30, 2006, 2005, and 2004 were \$248,659, \$244,223, and \$197,889, respectively, equal to the required contributions for each year.

### Municipal Police Employees' Retirement System of Louisiana (the "System"):

#### Plan Description:

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service, at or after age 55 with at least 12 years of creditable service, or at any age with 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

## NOTES TO FINANCIAL STATEMENTS

### Funding Policy:

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 16.25% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ended June 30, 2006, 2005, and 2004 were \$196,749, \$281,558, and \$218,633, respectively, equal to the required contributions for each year.

### Firefighters' Retirement System of Louisiana (the "System"):

#### Plan Description:

Membership in the Firefighters' Retirement System of Louisiana is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, P. O. Box 94095, Baton Rouge, Louisiana 70804, or by calling (225)925-4060.

## NOTES TO FINANCIAL STATEMENTS

### Funding Policy:

Plan members are required by state statute to contribute 8.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 18% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ended June 30, 2006, 2005, and 2004 were \$220,992, \$423,873, and \$142,234, respectively, equal to the required contributions for each year.

### Note 14. On-Behalf Payments for Salaries

For the year ended June 30, 2006, the City recognized revenue and expenditures of \$7,500, \$143,720, and \$150,960 in salary supplements from State of Louisiana paid directly to employees of the administrative, police, and fire departments, respectively.

### Note 15. Operating Leases

As of June 30, 2006, the City had entered into six equipment operating leases having initial or remaining noncancellable terms in excess of one year. The minimum annual commitment to be paid from the General Fund under the leases are as follows:

Year Ending <u>June 30,</u>	
2007	\$ 24,452
2008	13,401
2009	9,427
2010	<u>1,398</u>
Total	<u>\$ 48,678</u>

### Note 16. Agreement for Operations, Maintenance, and Management Services

On June 1, 1996, the City entered into an agreement for operations, maintenance, and management services of the wastewater and related treatment facilities with Professional Services Group, Inc. (PSG), for a period of five years.

PSG's compensation under the agreement consisted of an annual fee which was negotiated each year with one-twelfth of the annual fee due and payable on the first day of each month that services were to be provided.

## NOTES TO FINANCIAL STATEMENTS

In June 2000, the Board of Aldermen approved renewing the agreement one year early and extending the contract to June 1, 2006 with the current owner of PSG (U.S. Filter Operating Services, Inc.) (USFOS).

On April 28, 2003, upon entering the eighth year of the contract with USFOS, the City agreed to an annual fee increase of 3.2%, representing an annual increase of \$26,492. An annual fee increase of 2.7%, representing an annual increase of \$23,068, was agreed to on April 12, 2004 upon entering the ninth year of the contract with Veolia Water (previously USFOS). In June 2006, the City entered into an automatically renewed five year term through May 31, 2011 with Veolia Water. The City agreed to an adjustment to the annual fee of 3.0% through the term of the current agreement.

### Note 17. Billing and Collection Agreement

A sewer billing and collection agreement was signed on March 27, 2001 by the City with Water Treatment & Controls Company (WT&C) wherein WT&C will act and serve as billing, receiving, and collection agent for the City's sewerage charges owed by WT&C customers who are also the City's sewer customers. The City will pay WT&C a monthly fee of \$2,500 for their services. The contract is for a period of one year commencing at the date of execution and will automatically be extended from year to year unless one of the parties gives 90 days written notice prior to the end of the current year of its intention to terminate the agreement. Effective April 1, 2005, the monthly fee increased to \$2,705 due to a change in the CPI-Urban Index as agreed to in the original contract.

### Note 18. Cooperative Endeavor Agreements

On February 19, 1999, the City entered into a contract and agreement with Bastrop Area Fire Protection District No. 2 (the "District") for the public benefit of the citizens of the City and the District. The term of the contract is for ten years commencing on January 1, 1999 and terminating on December 31, 2009. This agreement novated and replaced the last year of the contract and agreement which had been previously agreed to by the two parties.

Under the agreement, the District agreed to pay the City the base sum of \$367,000 during the first calendar year of the contract. For each calendar year thereafter, the District agreed to pay the base sum and an additional amount equal to 3% of the total amount of all payments received by the City from the District for the previous calendar year. The annual amount owed to the City by the District shall be paid in two equal installments with payments being due on February 1 and July 1. The additional amount may be revised annually if raises are given to firemen or if the inflation rate exceeds 5% annually.

## NOTES TO FINANCIAL STATEMENTS

During the year ended June 30, 2002, the District agreed to, with no formal agreement, and did pay the City \$17,500 for the use of a service truck and agreed to pay \$7,500 annually for its use also subject to the 3% additional amount each year.

On October 11, 2001, the City entered into a cooperative endeavor agreement with U.S. Filter (USF). The City paid USF \$8,680 toward the acquisition of a backhoe to further the joint efforts of the City and USF in rehabilitating the City's sewage system. USF entered into a lease purchase agreement to acquire the backhoe and agreed, for so long as USF maintains a contractual agreement with the City for sewer rehab or service operation services (see Note 16), to assume any and all additional costs for acquisition of the backhoe. Provided that all contractual agreements between the City and USF remain in effect for a period of not less than eight years from the effective date of this agreement, with no material breach of the contractual agreement by the City, USF agrees to deliver full title to the equipment on or before the expiration of eight years after the of the effective date of this agreement, without further payment or remuneration due from the City.

### Note 19. Contingencies and Risk Management

As of June 30, 2006, there was no pending or threatened litigation involving the City.

The City's legal counsel is of the opinion that Morehouse Parish Police Jury is legally responsible for meeting all federal, state, or local laws or regulations related to the solid waste landfill which is owned by the City but operated and managed by the Jury.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2006 may be impaired. In the opinion of City management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

## NOTES TO FINANCIAL STATEMENTS

### Note 20. Commitments

On December 12, 2002, the City, as sponsoring entity, and Thermal Logic, Inc. entered into an economic development award contract/agreement for \$120,000 with Louisiana Department of Economic Development. The grant funding provided for the modernization and rehabilitation of an existing City-owned building to currently required industry and health standards. The project was completed in the year ended June 30, 2004 at a cost of \$110,827 and a receivable for the grant funding reimbursement in the same amount was recorded. As of June 30, 2006, the City had received \$19,114 of the anticipated reimbursement.

An agreement was entered into by the City with the Federal Highway Administration on August 20, 2004 for \$257,000 funding, through Louisiana Department of Transportation and Development, to be used for the construction of concrete sidewalks in the downtown area of the City. The City will have to contribute 5% of the participating construction costs in addition to providing all design and construction inspection. As of June 30, 2005, the City had expended \$19,740 on design and construction inspection with no other related project costs being expended or obligated.

On September 20, 2004, the City accepted a \$989,477 grant award from United States Department of Justice to replace, upgrade, and acquire equipment for and provide training to the City's police department. As of June 30, 2006, \$749,126 of the funding source had been expended. The award end date has been extended from the original date of January 22, 2005 to January 22, 2007.

On August 16, 2005, the City accepted a \$246,661 grant award from United States Department of Justice to replace, upgrade, and acquire equipment for and provide training to the City's police department. As of June 30, 2006, no funds had been expended or obligated. The award end date is December 7, 2007.

### Note 21. Subsequent Events

The State Bond Commission, State of Louisiana, approved on August 17, 2006 the City incurring debt and issuing not to exceed \$1,500,000 revenue anticipation notes for the purpose of paying current expenses and to pay the costs incurred in connection with the issuance of the notes. The proceeds of the notes were deposited by the City in September 2006. The notes mature with interest thereon no later than March 1, 2007.

In September 2006, the City entered into an agreement with Louisiana Division of Administration for a community development block grant of \$450,000 with the City committing local funds of \$449,261. The funding sources will be used for street improvements. As of June 30, 2006, no state or local funds had been obligated or expended.

## NOTES TO FINANCIAL STATEMENTS

In November 2006, a new Wal-Mart Superstore opened along with several smaller retail outlets in an adjoining strip mall. Management of the City estimates annual sales tax collections for all taxing entities will increase approximately \$1,000,000 from Wal-Mart sales alone.



**REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)**

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND

As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
<b>Revenues:</b>				
Taxes	\$ 8,326,436	\$ 8,328,453	\$ 8,667,868	\$ 339,415
Licenses and permits	467,235	486,165	487,233	1,068
Intergovernmental	1,250,693	1,803,000	1,871,022	68,022
Fees, charges, and commissions for services	229,585	259,528	267,440	7,912
Fines and forfeitures	160,020	153,237	151,661	( 1,576)
Interest and miscellaneous	143,499	298,637	293,918	( 4,719)
Total revenues	<u>\$ 10,577,468</u>	<u>\$ 11,329,020</u>	<u>\$ 11,739,142</u>	<u>\$ 410,122</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	\$ 2,550,243	\$ 2,574,125	\$ 2,665,636	\$( 91,511)
Public safety	5,138,068	4,985,466	4,876,788	108,678
Public works	1,683,432	1,758,354	1,786,702	( 28,348)
Sanitation	920,644	885,150	920,251	( 35,101)
<b>Debt service:</b>				
Principal	1,662,081	1,670,667	1,655,800	14,867
Interest and fiscal charges	-	-	65,865	( 65,865)
Capital outlay	53,000	680,830	797,228	( 116,398)
Total expenditures	<u>\$ 12,007,468</u>	<u>\$ 12,554,592</u>	<u>\$ 12,768,270</u>	<u>\$( 213,678)</u>
Excess (deficiency) of revenues over expenditures	<u>\$( 1,430,000)</u>	<u>\$( 1,225,572)</u>	<u>\$( 1,029,128)</u>	<u>\$( 196,444)</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
 BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND (Continued)  
 As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance -</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Other financing sources (uses):				
Operating transfers in (out)	\$ -	\$ 146,143	\$( 3,857)	\$( 150,000)
Revenue anticipation note proceeds	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 1,500,000</u>	<u>\$ 1,646,143</u>	<u>\$ 1,496,143</u>	<u>\$( 150,000)</u>
Net change in fund balance	\$ 70,000	\$ 420,571	\$ 467,015	\$ 46,444
Fund balance - beginning	<u>59,666</u>	<u>-</u>	<u>656,727</u>	<u>656,727</u>
Fund balance - ending	<u>\$ 129,666</u>	<u>\$ 420,571</u>	<u>\$ 1,123,742</u>	<u>\$ 703,171</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
 BUDGET AND ACTUAL - GOVERNMENTAL FUND - SEWER USE FEE FUND  
 As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fees, charges, and commissions for services	\$ 1,050,000	\$ 1,033,000	\$ 1,028,423	\$( 4,577)
Interest and miscellaneous	73,000	146,209	149,546	3,337
Total revenues	<u>\$ 1,123,000</u>	<u>\$ 1,179,209</u>	<u>\$ 1,177,969</u>	<u>\$( 1,240)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Sanitation	\$ 800,219	\$ 670,253	\$ 495,706	\$ 174,547
<b>Debt service:</b>				
Principal	772,427	775,336	460,000	315,336
Interest and fiscal charges	-	-	315,335	( 315,335)
Capital outlay	15,046	11,300	36,665	( 25,365)
Total expenditures	<u>\$ 1,587,692</u>	<u>\$ 1,456,889</u>	<u>\$ 1,307,706</u>	<u>\$ 149,183</u>
Excess (deficiency) of revenues over expenditures	<u>\$( 464,692)</u>	<u>\$( 277,680)</u>	<u>\$( 129,737)</u>	<u>\$ 147,943</u>
<b>Other financing sources:</b>				
Operating transfers in	\$ -	\$ -	\$ 3,857	\$ 3,857
Long-term debt proceeds	625,000	-	-	-
Total other financing sources	<u>\$ 625,000</u>	<u>\$ -</u>	<u>\$ 3,857</u>	<u>\$ 3,857</u>
Net change in fund balance	\$ 160,308	\$( 277,680)	\$( 125,880)	\$ 151,800
Fund balance - reserved - beginning	<u>3,334,328</u>	<u>1,424,890</u>	<u>3,952,826</u>	<u>2,527,936</u>
Fund balance - reserved - ending	<u>\$ 3,494,636</u>	<u>\$ 1,147,210</u>	<u>\$ 3,826,946</u>	<u>\$ 2,679,736</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
 BUDGET AND ACTUAL - GOVERNMENTAL FUND -SALES TAX FUND  
 As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 750,000	\$ 837,000	\$ 836,930	\$ ( 70)
Interest and miscellaneous	-	8,000	41,527	33,527
Total revenues	<u>\$ 750,000</u>	<u>\$ 845,000</u>	<u>\$ 878,457</u>	<u>\$ 33,457</u>
<b>Expenditures:</b>				
Current:				
Public works	\$ 35,000	\$ 410	\$ 144,372	\$ ( 143,962)
Debt service:				
Principal	370,000	370,210	370,210	-
Costs of debt issuance	-	63,600	63,560	40
Capital outlay	<u>3,345,000</u>	<u>55,000</u>	<u>54,950</u>	<u>50</u>
Total expenditures	<u>\$ 3,750,000</u>	<u>\$ 489,220</u>	<u>\$ 633,092</u>	<u>\$ ( 143,872)</u>
Excess (deficiency) of revenues over expenditures	<u>\$( 3,000,000)</u>	<u>\$ 355,780</u>	<u>\$ 245,365</u>	<u>\$( 110,415)</u>
Other financing sources:				
Long-term debt proceeds	<u>\$ 3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>3,000,000</u>
Net change in fund balance	\$ -	\$ 355,780	\$ 3,245,365	\$ 2,889,585
Fund balance - reserved - beginning	<u>-</u>	<u>656,729</u>	<u>277,592</u>	<u>( 379,137)</u>
Fund balance - reserved - ending	<u>\$ -</u>	<u>\$ 1,012,509</u>	<u>\$ 3,522,957</u>	<u>\$ 2,510,448</u>

CITY OF BASTROP, LOUISIANA

NOTE TO BUDGETARY COMPARISON SCHEDULES  
As of and for the Year Ended June 30, 2006

Note 1. Revenues and Expenditures - Budget and Actual

Actual expenditures and other financing uses of \$12,772,127 of the General Fund exceeded budgeted expenditures and other financing uses of \$12,558,449 for the year ended June 30, 2006 by \$213,678 or 1.70%.

Actual expenditures and other financing uses of the Sales Tax Fund (Special Revenue Fund) of \$633,092 exceeded budgeted expenditures and other financing uses of \$489,220 for the year ended June 30, 2006 by \$143,872 or 29.41%. The significant amount of the unfavorable expenditures and other financing uses variance resulted from inadequate appropriations for testing and engineering fees.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND REVENUES -  
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Taxes:</b>				
Ad valorem	\$ 3,072,758	\$ 3,036,590	\$ 3,030,258	\$ ( 6,332)
Sales	4,946,500	4,950,000	5,267,294	317,294
Gross receipts	292,178	320,263	348,717	28,454
Costs and interest	<u>15,000</u>	<u>21,600</u>	<u>21,599</u>	<u>( 1)</u>
	<u>\$ 8,326,436</u>	<u>\$ 8,328,453</u>	<u>\$ 8,667,868</u>	<u>\$ 339,415</u>
<b>Licenses and permits:</b>				
Business licenses	\$ 230,000	\$ 243,000	\$ 245,394	\$ 2,394
Insurance licenses	175,000	183,000	183,241	241
Building permits	40,000	37,000	34,631	( 2,369)
Beer and liquor permits	11,000	11,000	10,700	( 300)
Other permits	<u>11,235</u>	<u>12,165</u>	<u>13,267</u>	<u>1,102</u>
	<u>\$ 467,235</u>	<u>\$ 486,165</u>	<u>\$ 487,233</u>	<u>\$ 1,068</u>
<b>Intergovernmental:</b>				
Fire insurance	\$ 33,667	\$ 35,580	\$ 41,410	\$ 5,830
Bastrop Fire District Two	528,600	528,000	527,436	( 564)
Grants	257,150	863,220	906,203	42,983
Supplemental pay	327,600	282,000	302,180	20,180
Other	<u>103,676</u>	<u>94,200</u>	<u>93,793</u>	<u>( 407)</u>
	<u>\$ 1,250,693</u>	<u>\$ 1,803,000</u>	<u>\$ 1,871,022</u>	<u>\$ 68,022</u>

(continued)



CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND REVENUES -  
 BUDGET AND ACTUAL (Continued)  
 As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Fees, charges, and commissions for services:				
Cemetery lot sales	\$ 50,000	\$ 52,000	\$ 51,389	\$( 611)
City court and police jury	24,480	25,000	24,482	( 518)
Recreation fees	21,500	22,600	21,907	( 693)
Sewer fees	49,000	48,000	48,026	26
Municipal center	42,500	32,000	33,930	1,930
Other charges	42,105	79,928	87,706	7,778
	<u>\$ 229,585</u>	<u>\$ 259,528</u>	<u>\$ 267,440</u>	<u>\$ 7,912</u>
Fines and forfeitures:				
Court and parking	<u>\$ 160,020</u>	<u>\$ 153,237</u>	<u>\$ 151,661</u>	<u>\$( 1,576)</u>
Interest and miscellaneous:				
Interest	\$ 13,000	\$ 54,220	\$ 57,630	\$ 3,410
Other	130,499	244,417	236,288	( 8,129)
	<u>\$ 143,499</u>	<u>\$ 298,637</u>	<u>\$ 293,918</u>	<u>\$( 4,719)</u>
Total general fund revenues	<u>\$ 10,577,468</u>	<u>\$ 11,329,020</u>	<u>\$ 11,739,142</u>	<u>\$ 410,122</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -  
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
General government:				
Salaries	\$ 813,585	\$ 797,180	\$ 795,757	\$ 1,423
Payroll taxes and retirement	187,114	178,437	168,751	9,686
Street and traffic lights	180,000	160,500	146,890	13,610
Utilities and telephone	133,200	155,950	165,576	( 9,626)
Office	24,500	34,485	42,354	( 7,869)
Vehicle	11,650	13,865	12,504	1,361
Maintenance and supplies	77,800	111,400	110,695	705
Insurance	633,832	684,618	679,831	4,787
Travel	26,000	20,000	24,005	( 4,005)
Mainstreet	257,000	24,889	24,889	-
Hurricane relief	-	90,000	84,506	5,494
Industrial development	-	49,730	37,859	11,871
Other	<u>205,562</u>	<u>253,071</u>	<u>372,019</u>	<u>( 118,948)</u>
Total general government	<u>\$ 2,550,243</u>	<u>\$ 2,574,125</u>	<u>\$ 2,665,636</u>	<u>\$ ( 91,511)</u>
Public safety:				
Police:				
Salaries	\$ 1,604,152	\$ 1,538,000	\$ 1,528,071	\$ 9,929
Payroll taxes and retirement	298,005	225,775	225,812	( 37)
Insurance	216,932	223,000	224,046	( 1,046)
Telephone	34,107	26,107	25,868	239
Office	10,000	7,000	7,373	( 373)
Vehicle	68,500	76,700	80,655	( 3,955)
Maintenance and supplies	23,750	237,776	148,373	89,403
Housing inmates	63,000	86,000	85,513	487
Uniforms and laundry	16,000	11,000	11,774	( 774)
Other	<u>33,748</u>	<u>35,800</u>	<u>35,999</u>	<u>( 199)</u>
Total police	<u>\$ 2,368,194</u>	<u>\$ 2,467,158</u>	<u>\$ 2,373,484</u>	<u>\$ 93,674</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -  
 BUDGET AND ACTUAL (Continued)  
 As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public safety (continued):				
Fire:				
Salaries	\$ 1,669,078	\$ 1,564,000	\$ 1,579,075	\$( 15,075)
Payroll taxes and retirement	608,031	460,323	450,537	9,786
Insurance	290,775	297,395	297,882	( 487)
Utilities and telephone	41,000	43,000	43,551	( 551)
Vehicle	28,000	28,000	29,404	( 1,404)
Maintenance and supplies	53,000	43,900	47,935	( 4,035)
Uniforms and laundry	25,000	15,000	14,551	449
Other	54,990	66,690	40,369	26,321
Total fire	<u>\$ 2,769,874</u>	<u>\$ 2,518,308</u>	<u>\$ 2,503,304</u>	<u>\$ 15,004</u>
Total public safety	<u>\$ 5,138,068</u>	<u>\$ 4,985,466</u>	<u>\$ 4,876,788</u>	<u>\$ 108,678</u>
Public works:				
Highways and streets:				
Salaries	\$ 327,395	\$ 327,395	\$ 328,177	\$( 782)
Payroll taxes and retirement	72,668	74,047	70,439	3,608
Insurance	57,216	61,790	61,910	( 120)
Utilities and telephone	7,750	7,750	8,445	( 695)
Vehicle	43,000	52,640	56,109	( 3,469)
Maintenance and supplies	67,500	97,400	109,187	( 11,787)
Other	3,500	850	910	( 90)
Total highways and streets	<u>\$ 579,029</u>	<u>\$ 621,872</u>	<u>\$ 635,207</u>	<u>\$( 13,335)</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -  
 BUDGET AND ACTUAL (Continued)  
 As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public works (continued):				
Health:				
Salaries	\$ 54,473	\$ 60,242	\$ 60,662	\$( 420)
Payroll taxes and retirement	9,923	10,609	10,200	409
Insurance	10,792	10,792	11,553	( 761)
Utilities and telephone	8,100	8,100	8,628	( 528)
Vehicle	3,600	8,050	7,141	909
Maintenance and supplies	41,825	30,425	41,004	( 10,579)
Other	<u>1,200</u>	<u>800</u>	<u>869</u>	<u>( 69)</u>
Total health	<u>\$ 129,913</u>	<u>\$ 129,018</u>	<u>\$ 140,057</u>	<u>\$( 11,039)</u>
Recreation:				
Salaries	\$ 326,385	\$ 348,122	\$ 345,566	\$ 2,556
Payroll taxes and retirement	67,134	66,350	65,537	813
Insurance	36,891	36,600	37,109	( 509)
Utilities and telephone	88,550	93,000	85,906	7,094
Vehicle	14,000	14,500	15,501	( 1,001)
Maintenance and supplies	61,650	70,350	82,270	( 11,920)
Other	<u>14,450</u>	<u>16,450</u>	<u>18,024</u>	<u>( 1,574)</u>
Total recreation	<u>\$ 609,060</u>	<u>\$ 645,372</u>	<u>\$ 649,913</u>	<u>\$( 4,541)</u>
Cemetery:				
Salaries	\$ 123,823	\$ 111,000	\$ 111,035	\$( 35)
Payroll taxes and retirement	29,284	26,492	24,614	1,878
Insurance	24,975	26,531	26,557	( 26)
Vehicle	7,300	7,500	8,024	( 524)
Maintenance and supplies	6,650	8,180	8,101	79
Other	<u>3,100</u>	<u>3,100</u>	<u>2,673</u>	<u>427</u>
Total cemetery	<u>\$ 195,132</u>	<u>\$ 182,803</u>	<u>\$ 181,004</u>	<u>\$ 1,799</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -  
 BUDGET AND ACTUAL (Continued)  
 As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public works (continued):				
Building maintenance:				
Salaries	\$ 91,936	\$ 98,300	\$ 98,876	\$( 576)
Payroll taxes and retirement	21,743	22,169	20,926	1,243
Insurance	17,119	18,000	17,962	38
Vehicle	3,800	4,400	4,571	( 171)
Maintenance and supplies	35,650	36,070	37,839	( 1,769)
Other	50	350	347	3
Total building maintenance	<u>\$ 170,298</u>	<u>\$ 179,289</u>	<u>\$ 180,521</u>	<u>\$( 1,232)</u>
Total public works	<u>\$ 1,683,432</u>	<u>\$ 1,758,354</u>	<u>\$ 1,786,702</u>	<u>\$( 28,348)</u>
Sanitation:				
Sewer:				
Service contract	\$ 904,644	\$ 869,000	\$ 905,313	\$( 36,313)
Other	16,000	16,150	14,938	1,212
Total sanitation	<u>\$ 920,644</u>	<u>\$ 885,150</u>	<u>\$ 920,251</u>	<u>\$( 35,101)</u>
Total general fund current expenditures	<u>\$ 10,292,387</u>	<u>\$ 10,203,095</u>	<u>\$ 10,249,377</u>	<u>\$( 46,282)</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF SEWER USE FEE FUND REVENUES -  
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Fees, charges, and commissions for services:				
Sewer fees	\$ 1,050,000	\$ 1,033,000	\$ 1,028,423	\$( 4,577)
Interest and miscellaneous:				
Interest	<u>73,000</u>	<u>146,209</u>	<u>149,546</u>	<u>3,337</u>
Total sewer use fee fund revenues	<u>\$ 1,123,000</u>	<u>\$ 1,179,209</u>	<u>\$ 1,177,969</u>	<u>\$( 1,240)</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF SEWER USE FEE FUND CURRENT EXPENDITURES -  
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Sanitation:				
Sewer:				
Maintenance and supplies	\$ 796,219	\$ 670,029	\$ 495,496	\$ 174,533
Other	<u>4,000</u>	<u>224</u>	<u>210</u>	<u>14</u>
Total sewer use fee fund current expenditures	<u>\$ 800,219</u>	<u>\$ 670,253</u>	<u>\$ 495,706</u>	<u>\$ 174,547</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF SALES TAX FUND REVENUES -  
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Sales	\$ 750,000	\$ 837,000	\$ 836,930	\$ ( 70)
Interest and miscellaneous:				
Interest	<u>-</u>	<u>8,000</u>	<u>41,527</u>	<u>33,527</u>
 Total sales tax fund revenues	 <u>\$ 750,000</u>	 <u>\$ 845,000</u>	 <u>\$ 878,457</u>	 <u>\$ 33,457</u>



CITY OF BASTROP, LOUISIANA

SCHEDULE OF SALES TAX FUND CURRENT EXPENDITURES -  
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public works:				
Highways and streets:				
Maintenance and supplies	\$ -	\$ 410	\$ 356	\$ 54
Other	<u>35,000</u>	<u>-</u>	<u>144,016</u>	<u>( 144,016)</u>
 Total sales tax fund current expenditures	 <u>\$ 35,000</u>	 <u>\$ 410</u>	 <u>\$ 144,372</u>	 <u>\$( 143,962)</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended June 30, 2006

The schedule of compensation paid to the mayor and aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the mayor and aldermen is included in the general administrative expenditures of the General Fund. The mayor and aldermen receive compensation pursuant to Louisiana Revised Statute 404.1.

Clarence Hawkins, Mayor	\$ 65,566
Betty Alford-Olive, Alderman	9,895
Willie Lenoir, Alderman	9,895
Arthur Hamlin, Alderman	9,895
Eddie Gorden, Alderman	9,819
Beulah Robinson, Alderman	<u>9,895</u>
Total mayor's and aldermen's compensation	<u>\$ 114,965</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
As of and for the Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	<u>Expenditures</u>
United States Department of Homeland Security/ State and Local Domestic Preparedness Equipment Support/ Law Enforcement Terrorism Prevention	97.076	2005-GE-0004LETPP	\$ 13,433
Law Enforcement Terrorism Prevention	97.076	2004-GE-0004LETPP	17,628
Louisiana Department of Military Affairs Public Assistance (Hurricane Relief)	97.036	067-04685-00	<u>93,003</u>
Total - United States Department of Homeland Security			\$ 124,064
United States Department of Justice/ Office of Community Oriented Policing Services/ Public Safety Partnership and Community Policing	16.710	2004CKWX0093	172,716
United States Department of Transportation/ Federal Aviation Administration/ Airport Improvement	20.106	3-22-0004-009	462,790
United States Department of Health and Human Services/ Louisiana Department of Social Services/ Temporary Assistance for Needy Families	93.558	631460	<u>7,400</u>
Total expenditures of federal awards			<u>\$ 766,970</u>

See note to schedule of expenditures of federal awards.

CITY OF BASTROP, LOUISIANA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

As of and for the Year Ended June 30, 2006

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of City of Bastrop, Louisiana, and is being presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements.

# HILL, INZINA & COMPANY

---

---

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

The Honorable Clarence W. Hawkins, Mayor,  
and Members of the Board of Aldermen  
City of Bastrop, Louisiana

We have audited the financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1 and 2006-5.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2006-2, 2006-3, and 2006-4.

This report is intended solely for the information and use of management, Board of Aldermen, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

sHILL, INZINA & CO.

October 31, 2006

# HILL, INZINA & COMPANY

---

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

The Honorable Clarence W. Hawkins, Mayor,  
and Members of the Board of Aldermen  
City of Bastrop, Louisiana

### Compliance

We have audited the compliance of City of Bastrop, Louisiana (the "City"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2006. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, City of Bastrop, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

## Internal Control Over Compliance

The management of the City 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, Board of Aldermen, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

s\HILL, INZINA & CO.

October 31, 2006



CITY OF BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION  
As of and for the Year Ended June 30, 2006

We have audited the financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Our audit of the financial statements as of June 30, 2006 resulted in an adverse opinion on the governmental activities and an unqualified opinion on each major fund.

Section I - Summary of Auditor's Reports

- a. 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*

Internal Control

Material Weaknesses  Yes  No

Reportable Conditions  Yes  No

Compliance

Material to Financial Statements  Yes  No

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

Type of Opinion on Compliance  
for Major Programs

Unqualified  Qualified   
Disclaimer  Adverse

Internal Control

Material Weaknesses  Yes  No

Reportable Conditions  Yes  No

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?  Yes  No

c. Identification of Major Program:

CFDA Number 20.106  
Airport Improvement

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000  
Is the auditee a 'low risk' auditee, as defined by OMB Circular A-133?  Yes  No

Section II - Financial Statement Findings

2006-1 Inadequate Segregation of Duties (initial citing as of and for the ended June 30, 1985)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic and space limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's  
response and  
planned cor-  
rective action:

We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

2006-2 Noncompliance with Local Government Budget Act (initial citing as of and for the year ended June 30, 2003)

Criteria: The Local Government Budget Act requires that the chief executive officer or equivalent notify in writing the governing authority during the year when actual receipts and other financing sources plus projected revenue collections and other financing sources for the year fail to meet budgeted revenues and other financing sources by 5% or more, or when actual expenditures and other financing uses plus projected expenditures and other financing uses to year end exceed budgeted expenditures and other financing uses by 5% or more.

**Condition:** Actual expenditures and other financing uses of the Sales Tax Fund (Special Revenue Fund) of \$633,092 exceeded budgeted expenditures and other financing uses of \$489,220 for the year ended June 30, 2006 by \$143,872 or 29.41%.

**Cause:** The budget was not monitored and written notification made by the chief executive or administrative official to the governing authority that budget amendments were necessary.

**Effect:** The City is in violation of the Local Government Budget Act.

**Recommendation:** The chief executive officer or the equivalent should notify the governing authority in writing during the year when actual expenditures and other financing uses plus projected expenditures and other financing uses to year end exceed budgeted expenditures and other financing uses by 5% or more. The governing authority should amend the budget when notified.

**Management's  
response and  
planned cor-  
rective action:**

We concur with the finding. When the budget was amended, all expenditure amounts were not included.

2006-3 Asset Management (initial citing as of and for the year ended June 30, 2001)

**Criteria:** LSA-RS 24:515 and/or 39:321-332 as applicable, require that the City maintain records of its fixed assets and movable property. Also, GASB Statement No. 34 requires the City to record capital assets and depreciation in the government-wide financial statements.

**Condition:** The City is in the process of compiling an inventory listing of capital assets but such listing was not complete as of the date of this report.

**Cause:** Additional time will be needed to accurately complete the records. The City did not develop in previous years a strategy to ensure retention of accurate, complete, and up-to-date records of capital assets.

**Effect:** Capital assets and depreciation of governmental activities have not been recorded.

**Recommendation:** Time should be taken and a responsible party assigned to completing the inventory records with accurate historical costs.

**Management's  
response and  
planned cor-  
rective action:**

We concur in the finding. We have spent numerous man hours compiling all of the required information and have approximately 90% compiled.

2006-4 **Delinquency of Payment Collections on Loans Receivable (initial citing as of and for the year ended June 30, 2001)**

**Criteria:** Some of the loans made to local businesses had provision for payment by economic impact credits if the businesses employed the required number of full-time, local employees during the stated consecutive quarters of the 2003 calendar year.

The individual promissory notes made in previous years state that failure to pay any installment when due, shall at the option of the holder, mature all remaining unpaid installments.

**Condition:** Failure by all parties to meet the defined economic impact credits and/or ceasing operations resulted in initial payments becoming due on November 1, 2003 or January 1, 2004. As of June 30, 2006, only one monthly payment had been received from one party.

All of the individual promissory notes had payments in arrear as of June 30, 2006.

During the years ended June 30, 2006 and 2005, management of the City determined that \$5,000 and \$28,536, respectively, of promissory notes were uncollectible and expensed such amounts as bad debts.

**Cause:** The City has not taken legal action to enforce repayment of the loans made to local businesses upon the parties failing to meet the defined economic impact credits and/or ceasing operations, nor has the City opted to mature all remaining unpaid installments of the promissory notes upon failure to pay any installment when due.

**Effect:** City funds were not collected and others remain susceptible to not being collected.

**Recommendation:** We recommend that the City promptly take legal action to enforce the payment provisions of all delinquent loans and to not make any other similar loans.

**Management's  
response and  
planned cor-  
rective action:**

We concur in the finding and legal counsel will begin legal proceedings to collect the loans or judgments.

2006-5 Improvement of Controls Over Expenditures/Disbursements (initial citing)

**Criteria:** Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorization.

**Condition:** Six disbursements examined (totaling \$4,773) out of a total of 22 disbursements examined (27%) (totaling \$15,542) did not have purchase orders issued or were supported by purchase orders that did not include all items acquired.

Five disbursements examined (totaling \$5,086) out of a total of 49 disbursements examined (10%) (totaling \$75,209) were not supported by signatures of the employee receiving the goods or services on behalf of the City.

**Cause:** Employees of the City have not accepted the value of such internal control procedures.

**Effect:** The failure to adhere to internal controls over cash disbursements could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorization.

**Recommendation:** We recommend that purchase orders be timely issued for all applicable disbursements and employees receiving goods or services on the City's behalf sign the documentation to provide evidence that disbursements are valid expenditures of the City.

Management's  
response and  
planned cor-  
rective action:

We concur with the finding. Purchase orders will be issued timely for all applicable disbursements and will be monitored closely to ensure compliance. Vendors will not be paid unless goods and services have supporting signatures of employees of the City.

Section III - Federal Awards Finding

2006-1 Inadequate Segregation of Duties  
(See 2006-1 in Section II.)

Program: Airport Improvement

Section IV - Management Letter

None issued.

CITY OF BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

As of and for the Year Ended June 30, 2006

Section I - Internal Control and Compliance Material to Financial Statements

2005-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to a proper internal control structure.

Unresolved - 2006-1.

2005-2 Noncompliance with Local Government Budget Act

A comprehensive budget presenting a complete financial plan for each fiscal year shall be prepared for the General Fund and each Special Revenue Fund.

Resolved.

2005-3 Noncompliance with Local Government Budget Act

The chief executive officer, or equivalent, should notify in writing the governing authority during the year when actual receipts plus projected revenue collections for the year fail to meet budgeted revenues by 5% or more, or when actual expenditures plus projected expenditures to year end exceed budgeted expenditures by 5% or more.

Unresolved - 2006-2.

2005-4 Asset Management

State statutes require that the City maintain records of its fixed assets and movable property.

Unresolved - 2006-3.

2005-5 Delinquency of Payment Collections on Loans Receivable

The City has not opted to mature all remaining unpaid installments of the promissory notes upon failure to pay any installment when due.

Unresolved - 2006-4.

2005-6 Improvement of Controls Over Expenditures/Disbursements

Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorization.

Unresolved - 2006-5.

2005-7 Lack of State Bond Commission Approval

No municipality shall have authority to borrow money, incur debt, or to issue bonds, or other evidences of debt without the consent and approval of the State Bond Commission.

Resolved.

Section II - Federal Awards Finding

2005-1 Inadequate Segregation of Duties

(See 2005-1 in Section 1.)

Section III - Management Letter

None issued.