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CITY OF ZACHARY, LOUISIANA

FINANCIAL REPORT

OCTOBER 31, 1999

Under provisions of state law, this report is a public document. A copy of the report has been furnished to the audited, or reviewing 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 **MAR 22 2000**

MAYOR

John A. Womack

COUNCIL

David K. Amrhein

Calvin J. Boudreaux

David D. Horton

Daniel D. Wallis, Jr.

M. Darryl Yoes

CITY OF ZACHARY, LOUISIANA

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REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

JAMES R. DOUGLAS, LTD.
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**INDEPENDENT AUDITORS' REPORT ON THE
GENERAL PURPOSE FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

To the Honorable Mayor and Members
of the City Council
City of Zachary, Louisiana

We have audited the accompanying general purpose financial statements of the City of Zachary, Louisiana, and the individual fund and account group financial statements of the City as of and for the year ended October 31, 1999, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

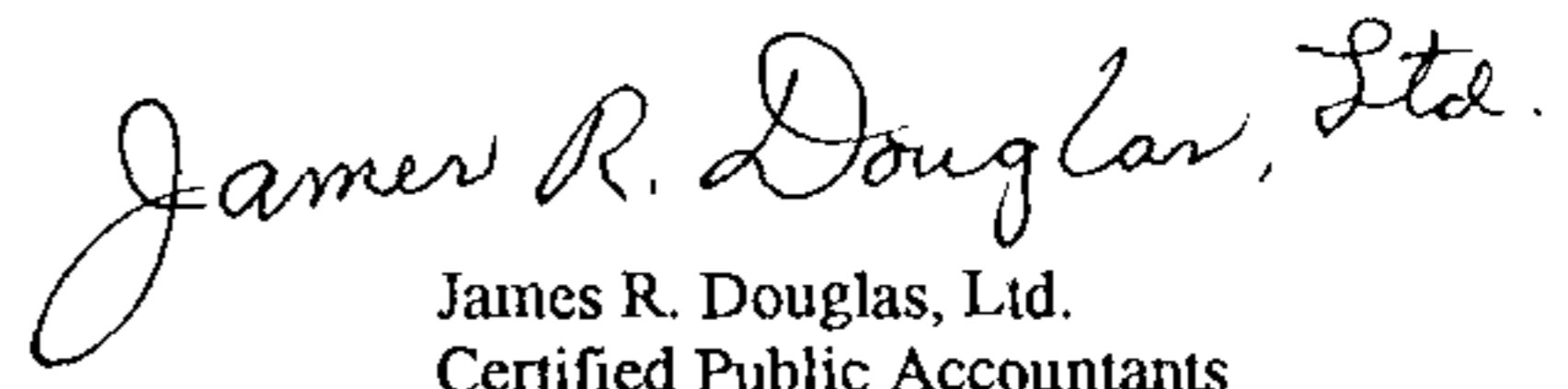
We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Zachary, Louisiana as of October 31, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Zachary, Louisiana, at October 31, 1999, and the results of operations of such funds and the cash flows of the individual proprietary fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2000, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the individual fund and account group financial statements. The schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Zachary, Louisiana. Such information is marked "unaudited", and we express no opinion on this information.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose, individual fund, and account group financial statements of the City of Zachary, Louisiana.


James R. Douglas, Ltd.
Certified Public Accountants

February 2, 2000

**GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)**

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND COMPONENT UNITS

October 31, 1999

ASSETS	Governmental Fund Types		Proprietary Fund Type	Account Groups			Totals (memorandum only)		Totals (memorandum only) Reporting Entity
	General Fund	Special Revenue Fund		Enterprise Fund	General Fixed Assets	Long-Term Debt	Primary Government	City Court of Zachary	
Cash	\$ 490,183	\$ 1,743,463	\$ 202,222	\$ -	\$ -	\$ 2,435,868	\$ 21,231	\$ 2,457,099	
Savings accounts	111,887	-	34,665	-	-	146,552	-	146,552	
Certificate of deposit	272,636	582,304	580,651	-	-	1,435,591	-	1,435,591	
Receivables (net, where applicable of allowance for uncollectibles):									
Sales tax	98,299	-	-	-	-	98,299	-	98,299	
Accounts	136,983	-	356,561	-	-	493,544	-	493,544	
Other	-	833	3,322	-	-	4,155	-	4,155	
Inventory	-	-	137,487	-	-	137,487	-	137,487	
Due from other funds	1,311,508	352,662	-	-	-	1,664,170	-	1,664,170	
Restricted assets:									
Cash	-	-	179,144	-	-	179,144	-	179,144	
Certificate of deposit	-	-	60,000	-	-	60,000	-	60,000	
Land	-	-	29,761	1,820,651	-	1,850,412	-	1,850,412	
Buildings	-	-	-	2,536,340	-	2,536,340	-	2,536,340	
Construction in process	-	-	838,756	-	-	838,756	-	838,756	
Improvements other than building	-	-	10,080,520	-	-	10,080,520	-	10,080,520	
Accumulated depreciation	-	-	(5,961,333)	-	-	(5,961,333)	-	(5,961,333)	
Machinery and equipment	-	-	821,883	3,139,789	-	3,961,672	57,175	4,018,847	
Accumulated depreciation	-	-	(547,128)	-	-	(547,128)	-	(547,128)	
Total assets	2,421,496	2,679,262	6,816,511	7,496,780	-	19,414,049	78,406	19,492,455	
Other debits:									
Amount to be provided for retirement of general long-term debt	-	-	-	-	217,059	217,059	-	217,059	
Total assets and other debits	2,421,496	2,679,262	6,816,511	7,496,780	217,059	19,631,108	78,406	19,709,514	

(CONTINUED)

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND COMPONENT UNITS (CONTINUED)

October 31, 1999

	Governmental Fund Types		Proprietary Fund Type	Account Groups			Totals (memorandum only)		Totals (memorandum only) Reporting Entity
	General Fund	Special Revenue Fund		Enterprise Fund	General		Primary Government	City Court of Zachary	
					Fixed Assets	Long-Term Debt			
LIABILITIES, EQUITY AND OTHER CREDITS									
Liabilities:									
Accounts Payable	\$ 185,202	\$ 656	\$ 104,170	\$ -	\$ -	\$ 290,028	\$ -	\$ 290,028	
Compensated absences	-	-	38,204	-	176,259	214,463	-	214,463	
Other payables	136,803	-	79,221	-	-	216,024	-	216,024	
Due to other funds	352,662	-	1,311,508	-	-	1,664,170	-	1,664,170	
Payable from restricted assets - Customers' deposits	-	-	219,445	-	-	219,445	-	219,445	
Note payable	-	-	-	-	40,800	40,800	-	40,800	
Total liabilities	674,667	656	1,752,548	-	217,059	2,644,930	-	2,644,930	
Fund equity and other credits									
Contributed capital	-	-	2,503,708	-	-	2,503,708	-	2,503,708	
Designated for street improvement	-	2,678,606	-	-	-	2,678,606	-	2,678,606	
Investment in general fixed assets	-	-	-	7,496,780	-	7,496,780	57,175	7,553,955	
Retained earnings - unreserved	-	-	2,560,255	-	-	2,560,255	-	2,560,255	
Fund balance - unreserved	1,746,829	-	-	-	-	1,746,829	21,231	1,768,060	
Total fund equity and other credits	1,746,829	2,678,606	5,063,963	7,496,780	-	16,986,178	78,406	17,064,584	
Total liabilities, fund equity and other credits	2,421,496	2,679,262	6,816,511	7,496,780	217,059	19,631,108	78,406	19,709,514	

The accompanying notes are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - ALL GOVERNMENTAL FUND TYPES AND COMPONENT UNITS
Year Ended October 31, 1999

	General Fund	Special Revenue Fund	Totals (memorandum only) Primary Government	City Court of Zachary	Totals (memorandum only) Reporting Entity
Revenues:					
Taxes	\$ 4,002,683	\$ 735,833	\$ 4,738,516	-	\$ 4,738,516
Licenses and permits	410,196	-	410,196	-	410,196
Intergovernmental	491,598	-	491,598	-	491,598
Charges for services	302,195	-	302,195	-	302,195
Commissions	456,955	-	456,955	-	456,955
Fines	93,637	-	93,637	-	93,637
Miscellaneous	82,943	60,566	143,509	132,130	275,639
Total revenues	<u>5,840,207</u>	<u>796,399</u>	<u>6,636,606</u>	<u>132,130</u>	<u>6,768,736</u>
Expenditures:					
General government	1,526,146	-	1,526,146	63,397	1,589,543
Public safety -					
Police	1,794,585	-	1,794,585	-	1,794,585
Fire	1,116,656	-	1,116,656	-	1,116,656
Streets	555,364	229,894	785,258	-	785,258
Sanitation	509,521	-	509,521	-	509,521
Debt service	16,864	-	16,864	-	16,864
Capital outlays	-	-	-	360	360
Total expenditures	<u>5,519,136</u>	<u>229,894</u>	<u>5,749,030</u>	<u>63,757</u>	<u>5,812,787</u>

(CONTINUED)

The accompanying notes are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - ALL GOVERNMENTAL FUND TYPES AND COMPONENT UNITS (CONTINUED)
Year Ended October 31, 1999

	General Fund	Special Revenue Fund	Totals (memorandum only) Primary Government	City Court of Zachary	Totals (memorandum only) Reporting Entity
Excess of revenues over expenditures	\$ 321,071	\$ 566,505	\$ 887,576	\$ 68,373	\$ 955,949
Other financing sources:					
Transfers from (to) other funds	75,000	-	75,000	(60,000)	15,000
Excess of revenues and other sources over expenditures	396,071	566,505	962,576	8,373	970,949
Fund balance, beginning	1,350,758	2,112,101	3,462,859	12,858	3,475,717
Fund balance, ending	1,746,829	2,678,606	4,425,435	21,231	4,446,666

The accompanying notes are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Year Ended October 31, 1999

	General Fund			Special Revenue Fund			Total		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:									
Taxes	\$ 4,142,000	\$ 4,002,683	\$ (139,317)	\$ 716,500	\$ 735,833	\$ 19,333	\$ 4,858,500	\$ 4,738,516	\$ (119,984)
Licenses and permits	405,000	410,196	5,196	-	-	-	405,000	410,196	5,196
Intergovernmental	412,000	491,598	79,598	-	-	-	412,000	491,598	79,598
Charges for services	266,000	302,195	36,195	-	-	-	266,000	302,195	36,195
Commissions	437,000	456,955	19,955	-	-	-	437,000	456,955	19,955
Fines	75,500	93,637	18,137	-	-	-	75,500	93,637	18,137
Miscellaneous	70,500	82,943	12,443	25,000	60,566	35,566	95,500	143,509	48,009
Total revenues	5,808,000	5,840,207	32,207	741,500	796,399	54,899	6,549,500	6,636,606	87,106
Expenditures:									
General government	1,740,650	1,526,146	214,504	-	-	-	1,740,650	1,526,146	214,504
Public safety -									
Police	1,828,700	1,794,585	34,115	-	-	-	1,828,700	1,794,585	34,115
Fire	1,174,500	1,116,656	57,844	-	-	-	1,174,500	1,116,656	57,844
Streets	702,000	555,364	146,636	673,000	229,894	443,106	1,375,000	785,258	589,742
Sanitation	482,500	509,521	(27,021)	-	-	-	482,500	509,521	(27,021)
Debt service	17,500	16,864	636	-	-	-	17,500	16,864	636
Total expenditures	5,945,850	5,519,136	426,714	673,000	229,894	443,106	6,618,850	5,749,030	869,820
Excess (deficiency) of revenues over expenditures	(137,850)	321,071	458,921	68,500	566,505	498,005	(69,350)	887,576	956,926

(CONTINUED)

The accompanying notes are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL
 AND SPECIAL REVENUE FUND TYPES (CONTINUED)

Year Ended October 31, 1999

	General Fund		Variance - Favorable (Unfavorable)	Special Revenue Fund		Variance - Favorable (Unfavorable)	Total	
	Budget	Actual		Budget	Actual		Budget	Actual
Other financing sources (uses):								
Transfers from other funds	\$ 75,000	\$ 75,000	-	-	-	-	\$ 75,000	\$ 75,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	(62,850)	396,071	458,921	68,500	566,505	498,005	5,650	962,576
Fund balance, beginning	1,350,758	1,350,758	-	2,112,101	2,112,101	-	3,462,859	3,462,859
Fund balance, ending	1,287,908	1,746,829	458,921	2,180,601	2,678,606	498,005	3,468,509	4,425,435
								956,926

The accompanying notes are an integral part of this statement.

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED
EARNINGS - PROPRIETARY FUND TYPE - ENTERPRISE FUND
Years Ended October 31, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
Operating revenues:		
Charges for service -		
Water sales	\$ 880,071	\$ 840,932
Gas sales	1,294,509	1,462,343
Sewer service charges	192,679	187,274
Installation charges	40,097	41,316
Miscellaneous revenues	12,002	29,713
Total operating revenues	<u>2,419,358</u>	<u>2,561,578</u>
Operating expenses:		
Water department expenses	658,966	714,633
Gas department expenses	773,557	1,013,935
Sewer department expenses	378,388	612,173
General and administrative expenses	147,795	122,174
Depreciation	368,328	347,707
Total operating expenses	<u>2,327,034</u>	<u>2,810,622</u>
Operating income (loss)	<u>92,324</u>	<u>(249,044)</u>
Nonoperating revenues:		
Interest income	31,583	35,306
Disposition of plant and equipment	-	5,000
Total nonoperating revenues	<u>31,583</u>	<u>40,306</u>
Income (loss) before operating transfers	<u>123,907</u>	<u>(208,738)</u>
Transfers to:		
Capital Projects Funds	-	(326,017)
General Fund	(15,000)	(15,000)
Net retained earnings (deficit)	<u>(15,000)</u>	<u>(341,017)</u>
	108,907	(549,755)
Retained earnings, beginning	<u>2,451,348</u>	<u>3,001,103</u>
Retained earnings, ending	<u>2,560,255</u>	<u>2,451,348</u>

The accompanying notes are an integral part of this statement.

**STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE -
ENTERPRISE FUND**
Years Ended October 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 92,324	\$ (249,044)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	368,327	347,707
Changes in assets and liabilities -		
Decrease (increase) in receivables	(21,390)	32,154
Increase (decrease) in accounts payable and other liabilities	(231,199)	313,636
Increase (decrease) in due to other funds	1,013,350	(13,798)
All other, net	(16,467)	(1,667)
Net cash provided by operating activities	<u>1,204,945</u>	<u>428,988</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers	(15,000)	(341,017)
Net cash (used for) noncapital financing activities	<u>(15,000)</u>	<u>(341,017)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to property and equipment	(1,300,322)	(313,361)
Sale of capital assets	-	5,000
Net cash (used for) capital and related financing activities	<u>(1,300,322)</u>	<u>(308,361)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificate of deposit	(24,402)	(23,376)
Interest income	31,583	35,306
Net cash provided by investing activities	<u>7,181</u>	<u>11,930</u>
Increase (decrease) in cash and cash equivalents	(103,196)	(208,460)
Cash and cash equivalents at beginning of year, including restricted accounts (1999 - \$222,869; 1998 - \$206,151)	<u>579,227</u>	<u>787,687</u>
Cash and cash equivalents at end of year, including restricted accounts (1999 - \$239,144; 1998 - \$222,869)	<u>\$ 476,031</u>	<u>\$ 579,227</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Zachary, Louisiana, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity –

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component unit (City Court of Zachary) which is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

City Court of Zachary – In conformity with generally accepted accounting principles, the financial statements of the Court have been included in the financial reporting entity as a discretely presented component unit. This unit is reported in a separate column to emphasize that they are legally separate from the City. Note 9 presents financial statements of the City Court of Zachary.

The following organization is excluded from the reporting entity:

Zachary Volunteer Fire Department – This potential component unit provides volunteer fire service to the City. Although the City does provide facilities and/or some financing, it does not exercise direct control over its operations.

B. Fund Accounting –

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designated to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designated to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories: (1) governmental and (2) proprietary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including special revenue funds (used to account for the proceeds of specific revenue sources [other than capital projects] that are legally restricted to expenditures for specific purposes) and capital projects funds (used to account for major capital expenditures not financed by enterprise funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Services from such activities are provided to outside parties (enterprise funds).

C. Basis of Accounting –

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

C. Basis of Accounting (continued) –

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are remitted within 30 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual (being held at year end on behalf of the City) are sales and property taxes which are collected and held by the Parish and beer and tobacco taxes which are collected and held by the State.

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

D. Budgets –

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is not utilized in the governmental funds. Encumbrances outstanding at year end are immaterial and not reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

E. Cash, Cash Equivalents, and Investments –

Cash and cash equivalents include amounts in demand deposits, savings accounts, and certificates of deposit with a maturity date within three months of the date purchased. Certificates of deposit with a maturity date of over three months when purchased are considered investments.

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in Louisiana banks, or any other federally insured investment.

F. Short-term Interfund Receivables/Payables –

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

G. Inventories –

Inventory of supplies in the proprietary fund is valued at cost (first-in, first-out).

Purchase of operating supplies by governmental fund types are recorded as expenditures when purchased; inventories of such supplies are not recorded and are not considered by management to be material.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

H. Restricted Assets –

Certain resources set aside for the repayment of customers' deposits are classified as restricted assets on the balance sheet because their use is limited by law.

I. Property, plant, and equipment –

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges, are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations is recorded as an expenditure in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group.

Property, plant, and equipment acquired for proprietary funds is capitalized in the fund to which it applies.

Property, plant, and equipment is stated at cost. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Structures and improvements	30-50 years
Machinery and equipment	5-25 years

J. Compensated Absences –

Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources of the general fund are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

K. Fund Equity –

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from individuals or other funds. Reserves represent those portions of fund equity not appropriable for expenditures.

L. Interfund Transactions –

Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the advances are accounted for through the various due to and due from accounts.

M. Bad Debts –

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**N. Memorandum Only – Total Columns –**

Total columns on the general purpose financial statements are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

O. Comparative Data --

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City’s financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

2. LEGAL COMPLIANCE – BUDGETS

On or before September 1st of each year, the mayor submits to the council a proposed operating budget. At the meeting of the council at which the operating budget is submitted, the council orders a public hearing on it and causes it to be published in the official journal. The budget is adopted not later than the second to last regular meeting of the fiscal year.

The operating budget may be amended to provide for: (1) supplemental appropriations, (2) emergency appropriations, (3) reductions of appropriations, and (4) transfer of appropriations.

Each year, no later than the time of submission of the operating budget, for the ensuing year, the mayor prepares and submits to the council a capital improvement program covering a period of at least five years.

Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary. The budget amounts used for comparative purposes in the accompanying financial statements include the supplementary appropriations.

3. CASH, SAVINGS ACCOUNTS, AND CERTIFICATES OF DEPOSIT

As of October 31, 1998, the carrying amount of the City’s deposits (including cash, savings accounts, and certificates of deposit) was \$4,255,746. The bank balances of these deposits totaled \$4,385,478 of which \$300,000 was covered by federal depository insurance, and \$4,085,478 was collateralized with securities held by the pledging bank’s agent in the bank’s name.

To give an indication of the level of risk assumed by the City, the deposits are categorized as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity’s name.

Category 2: Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name.

Category 3: Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the entity’s name.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. CASH, SAVINGS ACCOUNTS, AND CERTIFICATES OF DEPOSIT (CONTINUED)

At October 31, 1999	Bank Balance	Category			Carrying Amount
		1	2	3	
Deposits	\$ 2,743,335	\$ -	\$ -	\$ 2,743,335	\$ 2,613,603
Savings Accounts	146,552	-	-	146,552	146,552
Certificates of Deposit	1,495,591	-	-	1,495,591	1,495,591
Total	\$ 4,385,478	\$ -	\$ -	\$ 4,385,478	\$ 4,255,746

4. RECEIVABLES

Receivables at October 31, 1999 consist of the following:

	General	Special Revenue	Enterprise	Total
Sales Tax	\$ 98,299	\$ -	\$ -	\$ 98,299
Accounts	136,983	-	368,561	505,544
Other	-	833	3,322	4,155
Gross Receivables	235,282	833	371,883	607,998
Less Allowance for Uncollectible Accounts	-	-	(12,000)	(12,000)
Net Receivables	\$ 235,282	\$ 833	\$ 359,883	\$ 595,998

Property taxes are levied as of January 1st on property values assessed as of the same date. The tax levy is mailed during December and the taxes are due on or before December 31st. If taxes are unpaid by June, the property is offered at tax sale and 30 days after the tax sale, a lien is placed on the property.

5. FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance October 31, 1998	Additions	Deletions	Balance October 31, 1999
Land	\$ 1,820,651	\$ -	\$ -	\$ 1,820,651
Buildings and Improvements	2,450,928	85,413	-	2,536,341
Equipment	2,620,155	519,633	-	3,139,788
	\$ 6,891,734	\$ 605,046	\$ -	\$ 7,496,780

The following is a summary of proprietary fund type, enterprise fund fixed assets at October 31, 1998:

Land	\$ 29,761
Structures and Improvements	7,158,802
Construction in Process	838,756
Machinery and Equipment	821,883
New Gas System	2,345,585
New Sewer System	576,133
	11,770,920
Less Accumulated Depreciation	(6,508,461)
	\$ 5,262,459

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended October 31, 1999:

	<u>Note Payable</u>
Debt Outstanding, November 1, 1998	\$ 54,400
Repayments	<u>(13,600)</u>
Debt Outstanding, October 31, 1999	<u>\$ 40,800</u>

During the year ended October 31, 1997, the City purchased the Railroad Depot at a cost of \$85,000. The Act of Sale provided for a downpayment of \$17,000 and the balance of \$68,000 to be paid equally over a five year period with interest at 6% annually. The Act of Sale provides that the seller may, upon 90 days notice, demand payment in full.

Presented below is a summary of debt service requirements to maturity by year:

<u>Year to End October 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 13,600	\$ 2,448	\$ 16,048
2001	13,600	1,632	15,232
2002	<u>13,600</u>	<u>816</u>	<u>14,416</u>
	<u>\$ 40,800</u>	<u>\$ 4,896</u>	<u>\$ 45,696</u>

7. CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City. The City Attorney has advised us that all material claims have been tendered to the insurer for the City and that the dollar amount claimed by the plaintiffs does not exceed the policy limits.

8. RETIREMENT COMMITMENTS

Municipal Employees' Retirement System of Louisiana (MERS):

Plan description: all of the City's full-time general employees participate in the MERS, a multiple-employer, cost-sharing pension plan administered by a separate Board of Trustees. MERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MERS issues a publicly available financial report that includes financial statements and required supplementary information. The 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.

Funding policy: Covered employees are required by state statute to contribute 9.25% of their salary to MERS (the City is currently paying 4% of the required contribution). The City is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 5.75%). The contribution requirements of plan members and employer are established by, and may be amended by, state law. As required by state law, 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 year. The contribution requirement for the year ended October 31, 1999, was \$175,910, which consisted of \$114,341 from the City and \$61,568 (5.25% of covered payroll) from employees. The City's contributions to MERS for the year ended October 31, 1998, 1997, 1996, and 1995 were \$110,031, \$102,650, \$98,862, and \$93,606, respectively, and were equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Municipal Police Employees Retirement System (MPERS)

Plan description: All of the City's full time police employees participate in the MPERS, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. MPERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Police Employees Retirement System, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana, 70809, or by calling (225) 929-7411.

Funding policy: Covered employees are required by state statute to contribute 7.5% of their salary to MPERS. The City is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 9%). The contribution requirements of plan members and the employer are established by, and may be amended by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The contribution requirement for the year ended October 31, 1999, was \$141,575, which consisted of \$77,223 from the City and \$64,352 (7.5% of covered payroll) from employees. The City's contributions to MPERS for the years ended October 31, 1998, 1997, 1996, and 1995 were \$63,941, \$59,384, \$50,890, and \$52,086, respectively, and were equal to the required contributions for each year.

Firefighters' Retirement System (FRS)

Plan description: All of the City's full time fire employees participate in the FRS, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. FRS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana, 70806, or by calling (225) 925-4060.

Funding policy: Covered employees are required by state statute to contribute 8% of their salary to FRS. The City is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 9%). The contribution requirements of plan members and the employer are established by, and may be amended by state law. As required by state law, 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 contribution requirement for the year ended October 31, 1999, was \$85,622, which consisted of \$45,329 from the City and \$40,293 (8% of covered payroll) from employees. The City's contributions to FRS for the year ended October 31, 1998, 1997, 1996, and 1995 were \$38,241, \$28,394, \$26,267, and \$17,192, respectively, and were equal to the required contributions for each fiscal year.

Louisiana State Employees' Retirement System (LASERS)

Plan description: The Judge of the City Court of Zachary participates in the LASERS, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. LASERS provides retirements, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana, 70804, or by calling (225) 922-0600.

Funding policy: Covered employees are required by state statute to contribute 11.5% of their salary to LASERS. The City is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 12.4%). The contribution requirements of plan members and the employer are established by and amended by state law. As required by state law, 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 for the years ended October 31, 1999, 1998, 1997, and 1996 were \$1,760, \$1,754, \$1,689, and \$1,627, respectively, and, together with the amounts contributed by the City Court of Zachary, were equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. CITY COURT OF ZACHARY

The financial statements of the City Court of Zachary (a discretely presented component unit) follow:

COMBINED BALANCE SHEET – FUND TYPE AND ACCOUNT GROUP
October 31, 1999

	Governmental Fund Type <u>General</u>	General Fixed Account Group	Total (Memorandum Only)
ASSETS			
Cash	\$ 21,231	\$ -	\$ 21,231
Equipment	<u>-</u>	<u>57,175</u>	<u>57,175</u>
Total Assets	<u>\$ 21,231</u>	<u>\$ 57,175</u>	<u>\$ 78,406</u>
FUND EQUITY			
Investment in General Fixed Assets	\$ -	\$ 57,175	\$ 57,175
Fund Balance – Unreserved	<u>21,231</u>	<u>-</u>	<u>21,231</u>
Total Fund Equity	<u>\$ 21,231</u>	<u>\$ 57,175</u>	<u>\$ 78,406</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUND TYPE – GENERAL**
Year ended October 31, 1999

Revenues:

Criminal court collections	\$ 242,895
Garnishments collected	76,353
Court cost	<u>37,111</u>
Total revenues	<u>356,359</u>

Expenditures:

Current -	
Intergovernmental	113,180
Remittance of garnishments, restitutions, etc.	111,079
General government	63,367
Capital outlays	<u>360</u>
Total expenditures	<u>287,986</u>

Excess of revenues over expenditures 68,373

Other financing uses:

Transfers to other funds	<u>(60,000)</u>
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Excess of revenues and other sources over expenditures 8,373

Fund balance, beginning 12,858

Fund balance, ending \$ 21,231

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. CITY COURT OF ZACHARY (CONTINUED)

CHANGES IN GENERAL FIXED ASSETS

A summary of changes in General Fixed Assets follows:

Balance, October 31, 1998	\$ 56,815
Additions	<u>360</u>
Balance, October 31, 1999	<u>\$ 57,175</u>

RELATED PARTY TRANSACTIONS

The City of Zachary, Louisiana incurs expenditures on behalf of the Court. These expenditures include compensation to Court personnel along with the related pension cost and employee benefits. During the City's fiscal year ended October 31, 1999, the following expenditures were paid on behalf of the Court:

Court expenses	\$ 27,813
Judge's salary	7,364
Prosecutor's salary	14,200
Marshal's salary	<u>10,700</u>
	<u>\$ 60,077</u>

The Court makes distributions to the City. During the year ended October 31, 1999, the following distributions were made on behalf of the City.

Fines	\$ 93,637
Marshal	7,505
Article 887 C & D	4,707
Garnishment fee	4,471
Marshal (payroll)	<u>2,860</u>
	113,180
Transfer to General Fund	<u>60,000</u>
	<u>\$ 173,180</u>

10. YEAR 2000

The City of Zachary, Louisiana has assessed its systems in anticipation of the year 2000 as it relates to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00". Computer programs have to be adjusted to recognize the difference between those two years or the program will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the year 2000 issue could affect electronic equipment – such as environmental systems and vehicles containing computer chips that have date recognition features.

The City has identified various computer systems and pieces of electronic equipment that are critical to conducting the City's operations and that need to be year 2000 compliant. The City is assigning resources to remediate those systems that need to be repaired. The cost of repairs and resources needed have been immaterial to date and are not expected to be material to future operations.

11. SUBSEQUENT EVENTS

At the City Council meeting on December 14, 1999, the low bid of Stamm-Scheele (\$499,000) was awarded for a water well project.

At the City Council meeting on January 11, 2000, a purchase agreement was signed (\$229,000) to purchase 4.9 acres of land at the corner of Highway 964 and Thompson Road.

**FINANCIAL STATEMENTS
OF INDIVIDUAL FUNDS
AND ACCOUNT GROUPS**

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

**CITY OF ZACHARY, LOUISIANA
GENERAL FUND**

**BALANCE SHEETS
October 31, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
ASSETS		
Cash	\$ 490,183	\$ 136,172
Savings accounts	111,887	107,714
Certificates of deposit	272,636	679,683
Sales tax receivable	98,299	273,552
Other receivables	136,983	48,801
Due from other funds	<u>1,311,508</u>	<u>314,745</u>
Total assets	<u>2,421,496</u>	<u>1,560,667</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	185,202	69,393
Other payables	136,803	133,180
Due to other funds	<u>352,662</u>	<u>7,336</u>
Total liabilities	<u>674,667</u>	<u>209,909</u>
Fund balance:		
Unreserved - undesignated	<u>1,746,829</u>	<u>1,350,758</u>
Total liabilities and fund balance	<u>2,421,496</u>	<u>1,560,667</u>

The accompanying notes are an integral part of this statement.

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended October 31, 1999
(With Comparative Actual Amounts for Year Ended October 31, 1998)

	1999		Variance - Favorable (Unfavorable)	1998 Actual
	Budget	Actual		
Revenues:				
Taxes	\$4,142,000	\$4,002,683	\$ (139,317)	\$3,705,974
Licenses and permits	405,000	410,196	5,196	410,723
Intergovernmental	412,000	491,598	79,598	551,502
Charges for services	266,000	302,195	36,195	282,288
Commissions	437,000	456,955	19,955	457,682
Fines	75,500	93,637	18,137	89,442
Miscellaneous	70,500	82,943	12,443	84,943
Total revenues	<u>5,808,000</u>	<u>5,840,207</u>	<u>32,207</u>	<u>5,582,554</u>
Expenditures:				
General government	1,740,650	1,526,146	214,504	1,503,971
Public safety -				
Police	1,828,700	1,794,585	34,115	1,588,076
Fire	1,174,500	1,116,656	57,844	815,556
Streets	702,000	555,364	146,636	863,169
Sanitation	482,500	509,521	(27,021)	336,751
Debt service	17,500	16,864	636	196,856
Total expenditures	<u>5,945,850</u>	<u>5,519,136</u>	<u>426,714</u>	<u>5,304,379</u>
Excess (deficiency) of revenues over expenditures	(137,850)	321,071	458,921	278,175
Other financing sources (uses):				
Transfers from City Court	60,000	60,000	-	65,000
Transfers from Utility Fund	15,000	15,000	-	15,000
Transfers to Capital Projects Fund	-	-	-	(356,611)
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>(276,611)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(62,850)	396,071	458,921	1,564
Fund balance, beginning	<u>1,350,758</u>	<u>1,350,758</u>	<u>-</u>	<u>1,349,194</u>
Fund balance, ending	<u><u>1,287,908</u></u>	<u><u>1,746,829</u></u>	<u><u>458,921</u></u>	<u><u>1,350,758</u></u>

The accompanying notes are an integral part of this statement.

STATEMENTS OF REVENUES COMPARED TO BUDGET (GAAP BASIS)

Year Ended October 31, 1999

(With Comparative Actual Amounts for Year Ended October 31, 1998)

	1999		Variance -	1998
	Budget	Actual	Favorable (Unfavorable)	Actual
Taxes:				
Ad valorem - industrial	\$ 30,000	\$ 29,933	\$ (67)	\$ 28,806
Ad valorem - other	112,000	112,145	145	101,348
Sales tax	4,000,000	3,860,605	(139,395)	3,575,820
	<u>4,142,000</u>	<u>4,002,683</u>	<u>(139,317)</u>	<u>3,705,974</u>
Licenses and permits:				
Occupational licenses	300,000	295,366	(4,634)	302,283
Building permits	48,000	48,749	749	48,632
Electrical contractor license	6,000	5,700	(300)	5,320
Electrical permits	17,500	22,726	5,226	20,939
Other contractor license	11,000	10,710	(290)	9,504
Other permits	22,500	26,945	4,445	24,045
	<u>405,000</u>	<u>410,196</u>	<u>5,196</u>	<u>410,723</u>
Intergovernmental:				
911 operations	54,000	54,000	-	54,000
Video poker revenue	47,000	50,609	3,609	45,036
Tobacco tax	48,000	45,898	(2,102)	45,898
Alcoholic beverage tax	12,500	12,708	208	10,385
Beer tax	22,500	21,705	(795)	18,227
City - parish street maintenance	48,500	50,850	2,350	44,880
Grant - Police Department	120,000	217,154	97,154	180,000
Grant - D.A.R.E.	24,500	15,401	(9,099)	28,644
Grant - Rural Development	-	-	-	99,765
Grant - J.A.Z.	11,500	-	(11,500)	1,394
Transportation fund	23,500	23,273	(227)	23,273
	<u>412,000</u>	<u>491,598</u>	<u>79,598</u>	<u>551,502</u>
Charges for services:				
Refuse collection charges	260,000	284,168	24,168	276,796
Refuse billing fees	6,000	18,027	12,027	5,492
	<u>266,000</u>	<u>302,195</u>	<u>36,195</u>	<u>282,288</u>
Commissions:				
Cable franchise fee	61,000	60,945	(55)	54,099
Sale of electricity	350,000	370,072	20,072	378,850
Sale of insurance	26,000	25,938	(62)	24,733
	<u>437,000</u>	<u>456,955</u>	<u>19,955</u>	<u>457,682</u>
Fines	<u>75,500</u>	<u>93,637</u>	<u>18,137</u>	<u>89,442</u>

(CONTINUED)

STATEMENTS OF REVENUES COMPARED TO BUDGET (GAAP BASIS) - CONTINUED
Year Ended October 31, 1999
(With Comparative Actual Amounts for Year Ended October 31, 1998)

	1999		Variance - Favorable (Unfavorable)	1998 Actual
	Budget	Actual		
Miscellaneous:				
Interest income	\$ 20,000	\$ 25,258	\$ 5,258	\$ 34,679
City court	-	9,195	9,195	11,843
Marshal's fund	12,500	10,365	(2,135)	10,541
Sale of equipment	14,000	13,740	(260)	8,280
Food Pantry	-	2,818	2,818	3,508
Investigative fund	-	10,800	10,800	1,820
All other	24,000	10,767	(13,233)	14,272
	<u>70,500</u>	<u>82,943</u>	<u>12,443</u>	<u>84,943</u>

The accompanying notes are an integral part of this statement.

STATEMENTS OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
Year Ended October 31, 1999
(With Comparative Actual Amounts for Year Ended October 31, 1998)

	1999		Variance - Favorable (Unfavorable)	1998 Actual
	Budget	Actual		
General government:				
Salaries	\$ 40,000	\$ 30,063	\$ 9,937	\$ 29,125
Office expense	15,500	14,004	1,496	13,609
Electricity	2,500	1,282	1,218	3,327
City Hall vehicle	1,500	1,290	210	944
Supplies and maintenance	8,000	7,747	253	14,909
Insurance	220,000	179,506	40,494	157,646
Medicare	12,500	10,608	1,892	8,313
F.I.C.A. tax	12,000	9,425	2,575	2,861
Capital outlays	46,355	27,355	19,000	1,900
Telephone	4,000	2,941	1,059	3,302
Assessment roll fee	5,200	5,157	43	5,098
Code book expense	5,000	2,490	2,510	5,417
Dues, donations, and subscriptions	4,000	3,904	96	4,122
Civil defense - expense	500	-	500	-
- salary	4,500	4,419	81	4,332
Recreation - expense	182,000	223,499	(41,499)	218,357
- salary	75,000	61,849	13,151	24,644
- Z.A.P.	6,500	6,017	483	7,100
- capital outlays	180,000	108,883	71,117	225,243
Music enrichment program	1,500	1,500	-	-
Cultural Day Camp	1,500	113	1,387	2,622
Miscellaneous	10,000	2,366	7,634	4,343
Retirement	17,000	16,855	145	15,493
Audit	12,500	12,337	163	11,175
Health insurance	7,500	6,937	563	6,377
Attorney - retainer	12,500	11,936	564	5,616
Inspection - expense	26,500	22,134	4,366	26,964
- salary	80,000	77,984	2,016	74,022
Assistant attorney	16,500	16,355	145	6,267
Vending machine	1,500	1,382	118	1,253
L.M.A. Convention	7,000	841	6,159	3,467
Public relations	31,500	31,320	180	15,418
Mayor's prayer breakfast	2,500	2,326	174	2,096
Animal control fees	12,000	6,000	6,000	12,000
Official journal	9,000	4,980	4,020	7,402
Food pantry	3,000	4,727	(1,727)	4,113
Election expense	1,000	99	901	-
Historical village - expense	95,000	90,715	4,285	100,964
Legal fees	21,000	20,335	665	18,445
Court expense	27,500	27,813	(313)	26,060

(CONTINUED)

STATEMENTS OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS) - CONTINUED
Year Ended October 31, 1999
(With Comparative Actual Amounts for Year Ended October 31, 1998)

	1999		Variance - Favorable (Unfavorable)	1998 Actual
	Budget	Actual		
General government (continued):				
Judge's salary	\$ 8,000	\$ 7,364	\$ 636	\$ 7,220
Clerk of court salary	62,000	62,097	(97)	59,159
Probation officer	6,300	6,248	52	4,800
Prosecutor salary	15,000	14,200	800	10,490
Marshal's salary	12,000	10,700	1,300	10,490
Beautification - expense	30,000	17,414	12,586	31,176
Senior citizen center	12,000	10,883	1,117	11,109
Civil service - director	6,000	5,691	309	5,571
- fire and police	6,500	6,392	108	3,708
Planning and zoning	1,500	1,097	403	906
Unemployment tax	1,000	-	1,000	-
Insurance consultant	5,800	5,800	-	-
Sales tax collection fee	45,000	44,119	881	38,350
Ad valorem tax collection fee	250	-	250	42
Contracts and services	12,000	11,772	228	10,212
Travel, schools, etc.	5,000	2,294	2,706	782
Economic development	25,000	24,829	171	3,954
Community center	10,000	9,858	142	11,365
Tutoring program - Z.H.S.	5,100	1,965	3,135	2,550
- N.W.M.S.	3,750	3,675	75	2,280
- Z.E.S.	3,450	2,691	759	2,809
- N.E.S.	2,700	900	1,800	2,520
J.A.Z. program	12,000	11,775	225	14,060
D.C.I. expense	12,000	6,841	5,159	10,800
Mayor - salary	62,000	61,586	414	59,688
- expense	500	273	227	206
- secretary	41,000	40,877	123	35,133
- telephone	4,000	3,591	409	3,623
- vehicle expense	3,645	3,548	97	1,284
- miscellaneous	2,000	274	1,726	2,685
- retirement	9,500	9,360	140	9,018
- travel	2,000	782	1,218	511
- health insurance	10,000	9,439	561	8,755
A.B.C. Board - salary	10,000	1,800	8,200	1,800
- secretary	2,000	1,787	213	1,310
- expense	100	-	100	-
Council - salary	34,500	32,782	1,718	31,829
- miscellaneous	3,500	2,067	1,433	421
- clerk's salary	8,500	8,025	475	7,867
- telephone	500	241	259	200
- travel	1,500	900	600	520

(CONTINUED)

STATEMENTS OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS) - CONTINUED
Year Ended October 31, 1999
(With Comparative Actual Amounts for Year Ended October 31, 1998)

	1999		Variance -	1998
	Budget	Actual	Favorable (Unfavorable)	Actual
General government (continued):				
Council (continued):				
- retirement	\$ 4,000	\$ 3,364	\$ 636	\$ 3,071
- health insurance	17,500	17,351	149	17,351
	<u>1,740,650</u>	<u>1,526,146</u>	<u>214,504</u>	<u>1,503,971</u>
Public safety - police:				
Salaries	994,000	956,709	37,291	920,027
Office expense	25,500	25,006	494	13,769
Electricity	20,000	20,369	(369)	16,974
Vehicle expense	84,000	84,512	(512)	64,414
Supplies and maintenance	80,500	77,246	3,254	72,995
Uniforms	22,000	21,836	164	21,444
Telephone	17,500	16,843	657	16,945
Investigative fund	500	209	291	67
Reserve deputies	7,500	3,390	4,110	4,765
Miscellaneous	10,500	10,317	183	8,174
911 dispatchers salary	145,500	144,926	574	82,085
911 expense	200	-	200	-
Retirement	69,500	81,772	(12,272)	68,658
U.S. grant	-	-	-	318
Health insurance	122,000	121,918	82	108,534
Contracts and services	13,500	13,162	338	3,149
Travel, schools, and seminars	19,500	19,163	337	16,186
Capital outlays	181,000	179,817	1,183	160,337
Chief's expense	2,000	1,596	404	-
D.A.R.E	13,500	15,794	(2,294)	9,235
	<u>1,828,700</u>	<u>1,794,585</u>	<u>34,115</u>	<u>1,588,076</u>
Public safety - fire:				
Salaries	575,000	571,643	3,357	503,639
Office expense	11,000	10,978	22	11,389
Electricity	15,000	14,075	925	12,171
Vehicle expense	31,000	30,181	819	30,596
Supplies and maintenance	30,500	30,309	191	33,595
Rescue unit	15,000	9,902	5,098	7,679
EMT incentive pay	15,000	14,700	300	7,706
Uniforms	6,000	4,101	1,899	5,103
Telephone	8,000	7,148	852	6,893
Substations	34,000	-	34,000	-
Miscellaneous	5,000	4,470	530	4,844

(CONTINUED)

STATEMENTS OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS) - CONTINUED
Year Ended October 31, 1999
(With Comparative Actual Amounts for Year Ended October 31, 1998)

	1999		Variance - Favorable (Unfavorable)	1998 Actual
	Budget	Actual		
Public safety - fire (continued):				
Retirement	\$ 41,000	\$ 45,639	\$ (4,639)	\$ 36,953
Health insurance	60,000	58,609	1,391	48,349
Volunteer firemen	15,000	10,071	4,929	11,872
Contracts and services	20,500	20,812	(312)	18,880
Training	13,500	13,236	264	8,666
Fire prevention	3,500	3,214	286	2,498
Capital outlays	275,000	267,406	7,594	64,567
Contingency	500	162	338	156
	<u>1,174,500</u>	<u>1,116,656</u>	<u>57,844</u>	<u>815,556</u>
Streets:				
Salaries	230,000	224,688	5,312	227,191
Office expense	2,500	869	1,631	631
Electricity	150,000	128,391	21,609	129,926
Vehicle expense	40,000	21,723	18,277	43,724
Supplies and maintenance	90,000	75,644	14,356	102,653
Telephone	5,500	4,891	609	3,593
Miscellaneous	15,000	14,919	81	13,613
Retirement	25,000	25,284	(284)	23,239
Health insurance	35,000	34,306	694	32,918
Sidewalks	70,000	11,200	58,800	-
Contracts and services	6,500	6,512	(12)	8,415
Capital outlays	-	5,444	(5,444)	261,398
Drainage	25,000	-	25,000	14,191
Travel, schools, and seminars	2,000	629	1,371	1,330
Contingency	5,500	864	4,636	347
	<u>702,000</u>	<u>555,364</u>	<u>146,636</u>	<u>863,169</u>
Sanitation:				
Landfill charges	2,500	-	2,500	1,563
Contracts and services	480,000	509,521	(29,521)	335,188
	<u>482,500</u>	<u>509,521</u>	<u>(27,021)</u>	<u>336,751</u>

The accompanying notes are an integral part of this statement.

STREET IMPROVEMENT SPECIAL REVENUE FUND

To account for specific revenues that are legally restricted to expenditures for particular purposes.

**CITY OF ZACHARY, LOUISIANA
STREET IMPROVEMENT SPECIAL REVENUE FUND**

**BALANCE SHEETS
OCTOBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
ASSETS		
Cash	\$ 1,743,463	\$1,547,745
Certificates of deposit	582,304	557,691
Accrued interest receivable	833	-
Due from General Fund	<u>352,662</u>	<u>7,336</u>
Total assets	<u><u>2,679,262</u></u>	<u><u>2,112,772</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	656	671
Fund balance - Designated for street improvement	<u>2,678,606</u>	<u>2,112,101</u>
Total liabilities and fund balance	<u><u>2,679,262</u></u>	<u><u>2,112,772</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
STREET IMPROVEMENT SPECIAL REVENUE FUND**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE
Years Ended October 31, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
Revenues:		
Taxes -		
Sales tax	\$ 735,833	\$ 689,848
Other -		
Interest	<u>60,566</u>	<u>57,742</u>
Total revenues	<u>796,399</u>	<u>747,590</u>
Expenditures:		
Streets	<u>229,894</u>	<u>18,656</u>
Excess of revenues over expenditures	566,505	728,934
Other financing (uses):		
Transfers to Capital Projects Fund	<u>-</u>	<u>(236,118)</u>
Excess of revenues over expenditures and other uses	566,505	492,816
Fund balance, beginning	<u>2,112,101</u>	<u>1,619,285</u>
Fund balance, ending	<u><u>2,678,606</u></u>	<u><u>2,112,101</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
STREET IMPROVEMENT SPECIAL REVENUE FUND**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended October 31, 1999
(With Comparative Actual Amounts for Year Ended October 31, 1998)**

	1999		Variance - Favorable (Unfavorable)	1998 Actual
	Budget	Actual		
Revenues:				
Taxes -				
Sales tax	\$ 716,500	\$ 735,833	\$ 19,333	\$ 689,848
Other -				
Interest	25,000	60,566	35,566	57,742
Total revenues	<u>741,500</u>	<u>796,399</u>	<u>54,899</u>	<u>747,590</u>
Expenditures:				
Streets	<u>673,000</u>	<u>229,894</u>	<u>443,106</u>	<u>18,656</u>
Excess of revenues over expenditures	68,500	566,505	498,005	728,934
Other financing (users):				
Transfers to Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(236,118)</u>
Excess of revenues over expenditures and other uses	68,500	566,505	498,005	492,816
Fund balance, beginning	<u>2,112,101</u>	<u>2,112,101</u>	<u>-</u>	<u>1,619,285</u>
Fund balance, ending	<u><u>2,180,601</u></u>	<u><u>2,678,606</u></u>	<u><u>498,005</u></u>	<u><u>2,112,101</u></u>

The accompanying notes are an integral part of this statement.

**ENTERPRISE FUND
UTILITY FUND**

To account for the provision of water, gas, and sewer services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service, and billings and collection.

**CITY OF ZACHARY, LOUISIANA
UTILITY FUND**

**BALANCE SHEETS
October 31, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets:		
Cash	\$ 202,222	\$ 243,576
Savings account	34,665	87,782
Certificates of deposit	580,651	581,249
Accounts receivable, net of allowance for uncollectible accounts (1999 - \$12,000; 1998 - \$12,000)	356,561	335,171
Other receivables	3,322	4,307
Inventory, at cost (FIFO)	137,487	106,280
Total current assets	<u>1,314,908</u>	<u>1,358,365</u>
Restricted assets:		
Customers' deposits -		
Cash	179,144	162,869
Certificates of deposit	60,000	60,000
Total restricted assets	<u>239,144</u>	<u>222,869</u>
Property and equipment, at cost:		
Land	29,761	29,761
Structures and improvements	7,158,802	6,616,947
Construction in process	838,756	178,857
Machinery and equipment	821,883	723,315
New gas system	2,345,585	2,345,585
New sewer system	576,133	576,133
	<u>11,770,920</u>	<u>10,470,598</u>
Less accumulated depreciation	6,508,461	6,140,134
Total property and equipment, at cost	<u>5,262,459</u>	<u>4,330,464</u>
Total assets	<u><u>6,816,511</u></u>	<u><u>5,911,698</u></u>

The accompanying notes are an integral part of this statement.

**BALANCE SHEETS
October 31, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Current liabilities (payable from current assets):		
Accounts payable	\$ 104,170	\$ 322,379
Compensated absences	38,204	37,624
Accrued expenses	79,221	92,791
Due to other funds	<u>1,311,508</u>	<u>298,158</u>
Total current liabilities (payable from current assets)	<u>1,533,103</u>	<u>750,952</u>
Current liabilities (payable from restricted assets):		
Customers' deposits	<u>219,445</u>	<u>205,690</u>
Total current liabilities (payable from restricted assets)	<u>219,445</u>	<u>205,690</u>
Total liabilities	<u>1,752,548</u>	<u>956,642</u>
Fund equity:		
Contributed capital	2,503,708	2,503,708
Retained earnings - unreserved	<u>2,560,255</u>	<u>2,451,348</u>
Total fund equity	<u>5,063,963</u>	<u>4,955,056</u>
Total liabilities and fund equity	<u><u>6,816,511</u></u>	<u><u>5,911,698</u></u>

The accompanying notes are an integral part of this statement.

**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN RETAINED EARNINGS
Years Ended October 31, 1999 and 1998**

Presented on page 12 of financial report.

**STATEMENTS OF CASH FLOWS
Years Ended October 31, 1999 and 1998**

Presented on page 13 of financial report.

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
UTILITY FUND**

**STATEMENTS OF OPERATING EXPENSES BY DEPARTMENT
Years Ended October 31, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
Water department expenses:		
Salaries	\$ 340,055	\$ 332,668
Office expense	7,118	5,876
Electricity	80,899	48,128
Equipment maintenance	19,703	14,147
Supplies	112,896	154,765
Telephone	6,312	6,062
Miscellaneous	15,189	17,270
Retirement	16,855	15,468
Health insurance	22,663	27,062
Contracts/services	37,276	93,187
	<u>658,966</u>	<u>714,633</u>
 Gas department expenses:		
Salaries	151,683	151,420
Office expense	6,440	5,911
Electricity	1,344	1,507
Equipment maintenance	21,165	16,201
Supplies	39,113	33,492
Purchase of gas	464,193	714,630
Telephone	1,745	1,403
Miscellaneous	13,676	11,244
Retirement	16,855	15,468
Health insurance	24,812	24,923
Contracts/services	32,531	37,736
	<u>773,557</u>	<u>1,013,935</u>
 Sewer department expenses:		
Salaries	138,785	137,394
Office expense	5,097	4,097
Electricity	18,878	4,297
Equipment maintenance	27,323	21,274
Supplies	49,203	122,890
Telephone	1,183	928
Miscellaneous	16,062	13,992
Retirement	8,427	7,796
Health insurance	12,208	12,797
Contracts/services	14,623	28,824
Rehab	86,599	257,884
	<u>378,388</u>	<u>612,173</u>

(CONTINUED)

STATEMENTS OF OPERATING EXPENSES BY DEPARTMENT (CONTINUED)
Years Ended October 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
General and administrative expenses:		
Insurance	\$ 34,120	\$ 49,285
Legal expense	561	2,924
Computer expense	33,121	20,959
Audit	12,337	11,175
Medicare expenses	10,607	8,430
Bad debts	10,698	12,511
F.I.C.A. expense	9,425	8,465
Building maintenance	36,926	8,425
	<u>147,795</u>	<u>122,174</u>

The accompanying notes are an integral part of this statement.

GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets not used in proprietary fund operations.

**CITY OF ZACHARY, LOUISIANA
GENERAL FIXED ASSETS ACCOUNT GROUP**

**STATEMENTS OF GENERAL FIXED ASSETS
October 31, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
General fixed assets, at cost:		
Land	\$1,820,651	\$1,820,651
Buildings and improvements	2,536,340	2,309,788
Equipment	<u>3,139,789</u>	<u>2,761,295</u>
 Total general fixed assets	<u><u>7,496,780</u></u>	<u><u>6,891,734</u></u>
Investment in general fixed assets:		
General Fund revenues	4,864,532	4,259,486
Federal grants	190,399	190,399
State grants	608,775	608,775
Contributions	878,460	878,460
Transfers from Utility Fund	149,614	149,614
City-Parish grants	5,000	5,000
Certificates of indebtedness	<u>800,000</u>	<u>800,000</u>
 Total investment in general fixed assets	<u><u>7,496,780</u></u>	<u><u>6,891,734</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA
GENERAL FIXED ASSETS ACCOUNT GROUP**

**STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
Year Ended October 31, 1999**

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Total</u>
General fixed assets, beginning of year	<u>\$ 1,820,651</u>	<u>\$ 2,309,788</u>	<u>\$2,761,295</u>	<u>\$ 6,891,734</u>
Additions:				
General Fund revenues	<u>-</u>	<u>226,552</u>	<u>378,494</u>	<u>605,046</u>
Deletions:				
General Fund revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General fixed assets, end of year	<u><u>1,820,651</u></u>	<u><u>2,536,340</u></u>	<u><u>3,139,789</u></u>	<u><u>7,496,780</u></u>

The accompanying notes are an integral part of this statement.

**GENERAL LONG-TERM DEBT
ACCOUNT GROUP**

To account for amounts expected to be paid from governmental type funds. Payments are made by the General Fund.

CITY OF ZACHARY, LOUISIANA
 GENERAL LONG-TERM ACCOUNT GROUP

STATEMENTS OF GENERAL LONG-TERM DEBT
 October 31, 1999
 (With Comparative Totals for October 31, 1998)

	<u>Note Payable</u>	<u>Compensated Absences</u>	<u>Total</u>
	<u>1999</u>	<u>1999</u>	<u>1998</u>
Amount to be provided for the retirement of general long-term debt:			
Amount to be provided from excess annual revenues	<u>\$ 40,800</u>	<u>\$ 176,259</u>	<u>\$ 217,059</u>
General long-term debt payable:			
Estimated liability for compensated absences	-	176,259	165,424
Note payable	<u>40,800</u>	<u>-</u>	<u>54,400</u>
	<u>40,800</u>	<u>176,259</u>	<u>219,824</u>

The accompanying notes are an integral part of this statement.

SUPPLEMENTARY INFORMATION

SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)
October 31, 1999

<u>Insurer</u>	<u>Expires</u>	<u>Type Coverage</u>	<u>Limits</u>
Louisiana Workers Compensation	January 1, 2000	Workers Compensation	Statutory
Reliance Insurance Company	November 1, 1999	Building and Contents General Liability	Property - \$4,661,855 Liability - \$1,000,000
Coregis Insurance Company	November 1, 1999	Public Officials Errors and Omissions	Liability - \$2,000,000
Reliance Insurance Company	November 1, 1999	Law Enforcement Liability Policy	Liability - \$1,000,000
Reliance Insurance Company	November 1, 1999	Employee Dishonest Blanket Fidelity Insurance	\$50,000
Reliance Insurance Company	November 1, 1999	Mobile Equipment Floater	\$320,189
Hartford Life Insurance Company	July 11, 2000	Accident Policy Reserve Police	Medical - \$15,000
Hartford Life Insurance Company	May 17, 2000	Accident Insurance Volunteer Fireman	Medical \$50,000
Life Insurance Company of North America	July 1, 2000	Court Referred Alternative Sentencing Program Volunteer Accident	Medical - \$25,000
Reliance Insurance Company	November 1, 1999	Automobile Liability and Physical Damage	Liability - \$1,000,000
Reliance Insurance Company	November 1, 1999	Excess Liability Policy	Liability - \$2,000,000

**SCHEDULE OF UTILITY RATES AND STATISTICS (UNAUDITED)
October 31, 1999**

Gas and water rates in effect at the end of the current year were as follows:

GAS

<u>INSIDE CITY LIMITS</u>		<u>OUTSIDE CITY LIMITS</u>	
1 MCF Minimum charge -	\$ 11.69	1 MCF Minimum charge -	\$ 11.69
2-5 MCF	\$ 7.70 per MCF	2-4 MCF	\$ 8.42 per MCF
6-15 MCF	\$ 7.28 per MCF	5-7 MCF	\$ 7.91 per MCF
16-45 MCF	\$ 6.80 per MCF	8-10 MCF	\$ 7.64 per MCF
46-100 MCF	\$ 6.33 per MCF	Over 10 MCF	\$ 7.72 per MCF
Over 100 MCF	\$ 5.86 per MCF		

WATER

	<u>INSIDE CITY LIMITS</u>	<u>OUTSIDE CITY LIMITS</u>
First 3,000 gallons	Minimum charge - \$6.09	Minimum charge - \$9.02
3,000-5,000 gallons	\$1.19 per thousand	\$1.81 per thousand
5,000-7,000 gallons	\$.89 per thousand	\$1.21 per thousand
Over 7,000 gallons	\$.83 per thousand	\$1.00 per thousand

The number of gas customers at year end, the amounts billed, and other customer statistics are as follows:

	<u>Year Ended October 31,</u>	
	<u>1999</u>	<u>1998</u>
Gas sales	\$ 1,294,509	\$ 1,462,343
Gas purchased	\$ 464,198	\$ 714,630
MCF gas sold	157,596	180,643
Number of customers at year end	2,727	2,597
MCF gas purchased	168,127	193,622
MCF gas unaccounted for	10,531	12,979
Average monthly billing per customer	\$ 40.04	\$ 46.60

Water customer data are as follows:

Water sales	\$ 880,071	\$ 840,932
Thousands of gallons of water sold	691,431	677,925
Number of customers at year end	5,221	5,045
Average monthly billing per customer	\$ 14.27	\$ 14.05

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

JAMES R. DOUGLAS, LTD.
1224 ROSS AVENUE
BATON ROUGE, LOUISIANA 70808-3753
(225) 927-3946

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

To the Honorable Mayor and Members
of the City Council
City of Zachary, Louisiana

We have audited the financial statements of the City of Zachary, Louisiana, as of and for the year ended October 31, 1999, and have issued our report thereon dated February 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Zachary, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*.

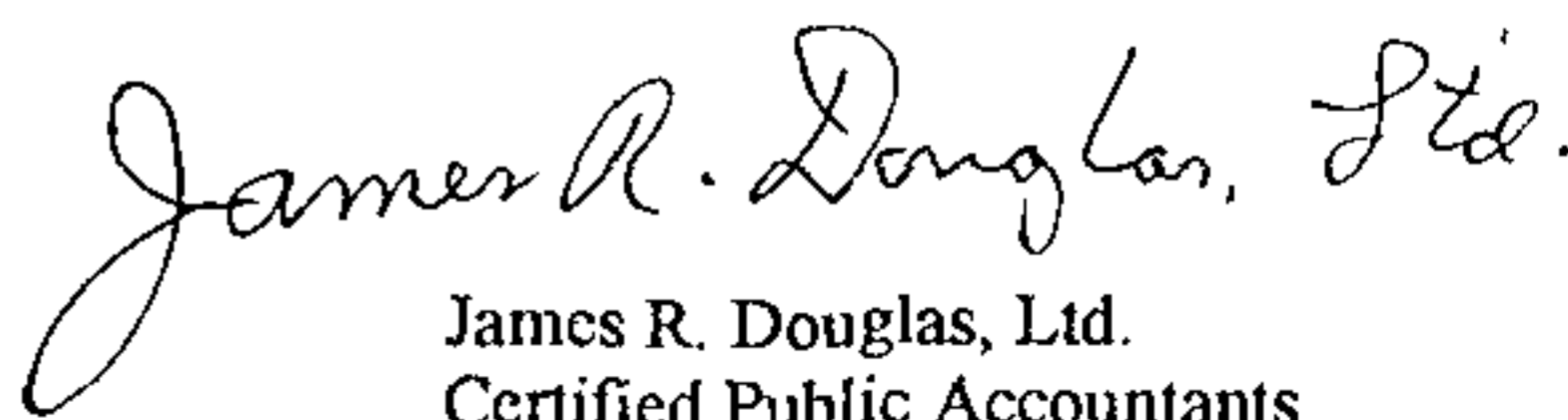
The Street Improvement Special Revenue Fund receives monies dedicated for street improvements. Of the monies received during the year under audit, \$352,662 was loaned to the General Fund. These loans are in violation of the purpose for which the Fund was authorized. The City has subsequently repaid the loans to the Street Improvement Special Revenue Fund.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Zachary, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, Members of the City Council and management, and is not intended to be and should not be used by anyone other than these specified parties.

February 2, 2000


James R. Douglas, Ltd.
Certified Public Accountants

JAMES R. DOUGLAS, LTD.
1224 ROSS AVENUE
BATON ROUGE, LOUISIANA 70808-3753
(225) 927-3946

To the Honorable Mayor and Member
of the City Council
City of Zachary, Louisiana

This letter is intended to confirm that the Council is fully informed about significant matters relating to the conduct of the annual audit of the City of Zachary so that you can appropriately discharge your oversight responsibility and so that we comply with our obligations to you under professional standards. This letter is intended solely for the use of the City Council of the City of Zachary.

The following summarizes various matters which must be communicated to you under generally accepted auditing standards.

The Auditor's Responsibility Under Generally Accepted Auditing Standards

We originally communicated to the City Council in our arrangement letter that the audit would be conducted in accordance with generally accepted auditing standards. An audit, as such, is not designed to include a detailed audit of all transactions nor to discover all defalcations, irregularities or illegal acts, should any exist. An audit conducted in accordance with generally accepted auditing standards is designed to obtain reasonable rather than absolute assurance about the financial statements. We believe that our audit accomplished those objectives.

Significant Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies and procedures used by the City. The City did not adopt any significant new accounting policies and procedures during the current year which should be brought to your attention.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of the financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we concur with the results of those estimates.

Significant Audit Adjustments

There were a number of audit adjustments made to the City's books during the course of our audit. Many of the adjustments involved accruing amounts owed to the City at October 31, 1999 which were paid during the month of November 1999. Also, the fixed asset schedules for the year are not finalized until after year-end and adjustments were made based on these finalized amounts. There were several significant audit adjustments made to correct posting errors. All of the audit adjustments have been reviewed and approved by management.

Other Information in Documents Containing Audited Financial Statements

We have not been informed of any documents that contain your audited financial statements. If there were such documents, we have a responsibility to determine that financial information included in those documents is not materially inconsistent with the audited financial statements of the City.

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements or on the wording of our report on the financial statements.

Consultation With Other Accountants

We are not aware nor have we been informed of any consultations management had with other independent accountants about accounting or auditing matters. Also, there were no major issues discussed regarding the application of accounting principles or auditing standards in connection with our engagement.

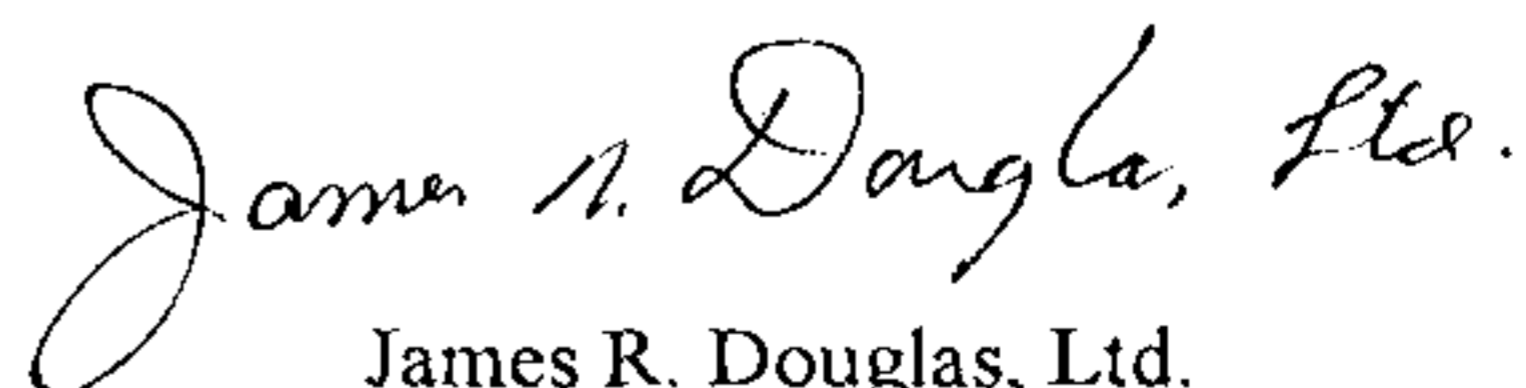
Difficulties Encountered in Performing the Audit

We encountered no difficulty in the performance of the audit.

Material Contingencies

The financial statements reflect no disclosures associated with material contingencies and there were no matters we believe should be disclosed as such.

February 2, 2000



James R. Douglas, Ltd.
Certified Public Accountants