

TOWN OF ARCADIA
Arcadia, Louisiana

Schedule of Federal Financial Assistance
For the Year Ended December 31, 1996

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM NAME	CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	ACCRUED REVENUE AT JANUARY 1, 1996	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED REVENUE AT DECEMBER 31, 1996
United States Department of Housing and Urban Development						
Passed through Louisiana						
Division of Administration - Louisiana Community Development Block Grant - State's Program:						
Sewer improvements	14.228 *	101-5088	\$138,422	\$76,130	\$76,130	NONE
Street improvements	14.228 *	107-700048	NONE	278,462	278,462	\$254,260
Total United States Department of Housing and Urban Development			<u>138,422</u>	<u>354,592</u>	<u>354,592</u>	<u>254,260</u>
United States Department of Justice						
Passed through Office of Community Oriented Policing Services						
	16.710	95CFWX4510	<u>1,720</u>	<u>21,245</u>	<u>21,245</u>	<u>3,592</u>
Total Federal Financial Assistance			<u>\$140,142</u>	<u>\$375,837</u>	<u>\$375,837</u>	<u>\$257,852</u>

* Major federal financial assistance program

**Independent Auditor's Report on Supplementary
Schedule of Federal Financial Assistance**

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana

I have audited the general purpose financial statements of the Town of Arcadia as of December 31, 1996, and for the year then ended, have issued my report thereon dated February 21, 1997. These general purpose financial statements are the responsibility of the Town of Arcadia's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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. I believe that my audit provides a reasonable basis for my opinion.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the Town of Arcadia taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



West Monroe, Louisiana
February 21, 1997

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**Independent Auditor's Reports on Federal
Financial Assistance; Compliance With Laws,
Regulations, Contracts, and Grants;
and Internal Control Structure**

The following independent auditor's reports on the schedule of federal financial assistance; compliance with laws, regulations, contracts, and grants; and on the internal control structure are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Circular A-128, *Audits of State and Local Governments*; the *Single Audit Act of 1984*; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

TOWN OF ARCADIA
Arcadia, LouisianaSchedule of Compensation Paid Aldermen
For the Year Ended December 31, 1996

Charlie Brown	\$2,400
Gary Carlisle	2,400
Harold Durrett, Mayor Pro Tem	2,700
Jean Kelley	2,400
Charles Smith, Jr.	<u>2,400</u>
Total	<u>\$12,300</u>

TOWN OF ARCADIA
Arcadia, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
As of and for the Year Ended December 31, 1996

COMPENSATION PAID ALDERMEN

The schedule of compensation paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of aldermen has been set by ordinance at \$200 per month with the mayor pro tem receiving \$225 per month and is included in general government expenditures of the General Fund.

TOWN OF ARCADIA
Arcadia, Louisiana
CAPITAL PROJECTS FUNDS -
LOUISIANA COMMUNITY DEVELOPMENT BLOCK GRANTS

Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 1996

	<u>SEWER IMPROVEMENTS</u>	<u>STREET IMPROVEMENTS</u>	<u>TOTAL</u>
REVENUES			
Intergovernmental revenues - federal funds	\$76,130	\$278,462	\$354,592
EXPENDITURES			
Capital outlay	<u>76,130</u>	<u>278,462</u>	<u>354,592</u>
EXCESS OF REVENUES OVER EXPENDITURES	NONE	NONE	NONE
FUND BALANCES AT BEGINNING OF YEAR	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
FUND BALANCES AT END OF YEAR	<u><u>NONE</u></u>	<u><u>NONE</u></u>	<u><u>NONE</u></u>

TOWN OF ARCADIA
Arcadia, Louisiana
DEBT SERVICE FUNDS

Combining Balance Sheet, December 31, 1996

	<u>1992 SALES TAX BONDS</u>	<u>1988 PUBLIC IMPROVEMENT BONDS</u>	<u>REFUNDING BONDS</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$256,326	\$301,724	\$43,319	\$601,369
Due from other funds		<u>13,643</u>		<u>13,643</u>
TOTAL ASSETS	<u>\$256,326</u>	<u>\$315,367</u>	<u>\$43,319</u>	<u>\$615,012</u>
LIABILITIES AND FUND EQUITY				
Liabilities - accounts payable	\$527	NONE	NONE	\$527
Fund Equity - fund balances - reserved for debt service	<u>255,799</u>	<u>\$315,367</u>	<u>\$43,319</u>	<u>614,485</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$256,326</u>	<u>\$315,367</u>	<u>\$43,319</u>	<u>\$615,012</u>

TOWN OF ARCADIA
Arcadia, Louisiana
DEBT SERVICE FUNDS

Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 1996

	1992 SALES TAX BONDS	1988 PUBLIC IMPROVEMENT BONDS	REFUNDING BONDS	TOTAL
REVENUES				
Sales and use taxes		\$115,926		\$115,926
Use of money and property	\$24,492	8,783	\$390	33,665
Total revenues	<u>24,492</u>	<u>124,709</u>	<u>390</u>	<u>149,591</u>
EXPENDITURES				
Debt service	<u>160,642</u>	<u>35,614</u>	<u>38,120</u>	<u>234,376</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(136,150)</u>	<u>89,095</u>	<u>(37,730)</u>	<u>(84,785)</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>159,055</u>	NONE	<u>40,624</u>	<u>199,679</u>
EXCESS OF REVENUES AND OTHER SOURCES	22,905	89,095	2,894	114,894
FUND BALANCES AT BEGINNING OF YEAR	<u>232,894</u>	<u>226,272</u>	<u>40,425</u>	<u>499,591</u>
FUND BALANCES AT END OF YEAR	<u><u>\$255,799</u></u>	<u><u>\$315,367</u></u>	<u><u>\$43,319</u></u>	<u><u>\$614,485</u></u>

TOWN OF ARCADIA
Arcadia, Louisiana
PROPRIETARY FUND TYPE -
WATER AND SEWER ENTERPRISE FUND

Statement of Revenues, Expenses
and Changes in Retained Earnings
For the Year Ended December 31, 1996

OPERATING REVENUES	
Charges for water service	\$367,726
Charges for sewer service	35,258
Sewer user charges	121,845
Other operating revenues	<u>5,315</u>
Total revenues	<u>530,144</u>
OPERATING EXPENSES	
General and administrative	69,920
Water department	302,498
Sewer department	80,399
Depreciation	<u>172,343</u>
Total operating expenses	<u>625,160</u>
OPERATING INCOME	<u>(95,016)</u>
NON-OPERATING REVENUES (Expenses)	
Interest income	14,014
Sales tax revenues	185,482
Interest expense	(16)
Sale of assets	<u>3,060</u>
Total non-operating revenues (expenses)	<u>202,540</u>
NET INCOME	107,524
Add depreciation on fixed assets acquired with federal grant	104,511
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>138,153</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$350,188</u>

The accompanying notes are an integral part of this statement.

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

Refunding Bonds, Series 1992 - \$300,000 - Refunding bonds issued November 5, 1992, due in annual installments of \$25,000 to \$40,000 through May 2002; interest at 5.25 to 6.1 per cent. Debt retirement payments are made from the Refunding Bonds Debt Service Fund.	\$200,000
Certificates of Indebtedness - \$100,000 issue dated March 17, 1994, for the purpose of purchasing equipment. The principal is due in annual installments of \$7,237 to \$13,306 through March 17, 2004 with interest at 7.0 per cent. Debt retirement payments are made from the Industrial Development Special Revenue Fund.	<u>85,018</u>
Total	<u>\$1,930,018</u>

The annual requirements to amortize all general long-term debt outstanding at December 31, 1996, including interest of \$1,091,559, are as follows:

Year	Bonds Payable	Certificate of Indebtedness	Total
1997	\$177,876	\$14,238	\$192,114
1998	232,021	14,238	246,259
1999	231,540	14,238	245,778
2000	231,397	14,238	245,635
2001	230,574	14,238	244,812
2002 - 2006	864,181	42,713	906,894
2007 - 2011	784,910		784,910
2012	155,175		155,175
Total	<u>\$2,907,674</u>	<u>\$113,903</u>	<u>\$3,021,577</u>

10. CONTRIBUTED CAPITAL

The town has received grants from various federal, state, and local agencies to finance the acquisition and construction of the enterprise fund fixed assets. The amount, shown as contributed capital on the balance sheet, is reduced each year by the amount of depreciation expense recognized on fixed assets constructed or acquired with the federal grant funds. The following schedule presents changes in contributed capital for the year ended December 31, 1996:

Balance, January 1, 1996	\$5,425,732
Additions - LCDBG Capital Projects Fund sewer improvements	76,130
Deductions - Depreciation on fixed assets acquired with federal grant	<u>(104,511)</u>
Balance, December 31, 1996	<u>\$5,397,351</u>



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**Independent Auditor's Report on Compliance With
Specific Requirements Applicable to Major
Federal Financial Assistance Programs**

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana

I have audited the general purpose financial statements of the Town of Arcadia as of December 31, 1996, and for the year then ended, and have issued my report thereon dated February 21, 1997.

I have also audited the Town of Arcadia's compliance with the requirements governing types of services allowed or unallowed, reporting, environmental review, obligation of funds, claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to its major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance, for the year ended December 31, 1996. The management of the Town of Arcadia is responsible for the Town of Arcadia's compliance with those requirements. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town of Arcadia's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs. I considered this instance of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

TOWN OF ARCADIA
Arcadia, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended December 31, 1996

DEBT SERVICE FUNDS

1992 SALES TAX BONDS

The 1992 Sales Tax Bonds Fund accumulates monies for the retirement of the January 1, 1992 sales tax bonds issued for the purpose of constructing, acquiring, extending and/or improving sewers and sewerage disposal and waterworks system in the town. Financing is provided by sales and use tax.

1988 PUBLIC IMPROVEMENT BONDS

The 1988 Public Improvement Bonds Fund accumulates monies for the retirement of the May 1, 1988 public improvement bonds issued for the purpose of constructing and acquiring a new city hall. Financing is provided by sales and use tax.

REFUNDING BONDS

The Refunding Bonds Fund accumulates monies for the retirement of the November 1, 1992 refunding bonds issued to refund outstanding certificates of indebtedness dated May 5, 1989 and March 1, 1990. Financing is provided by transfers from the Sales Tax Special Revenue Fund.

TOWN OF ARCADIA
Arcadia, Louisiana
SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 1996

	<u>3 MILL</u>	<u>INDUSTRIAL INDUCEMENT</u>	<u>INDUSTRIAL DEVELOPMENT</u>	<u>SALES TAX</u>	<u>TOTAL</u>
REVENUES					
Sales and use taxes	\$94,539	\$23,185		\$14,125	\$131,849
Use of money and property		1,976	\$13,927		15,903
Total revenues	<u>94,539</u>	<u>25,161</u>	<u>13,927</u>	<u>14,125</u>	<u>147,752</u>
EXPENDITURES					
Current:					
General government				14,124	14,124
Public works	56,549				56,549
Economic development and assistance		13,240	2,206		15,446
Capital outlay	48,678	500			49,178
Total expenditures	<u>105,227</u>	<u>13,740</u>	<u>2,206</u>	<u>14,124</u>	<u>135,297</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(10,688)</u>	<u>11,421</u>	<u>11,721</u>	<u>1</u>	<u>12,455</u>
OTHER FINANCING SOURCES					
Operating transfers in		500			500
Operating transfers out	(1,157)			(199,679)	(200,836)
Total other financing sources (uses)	<u>(1,157)</u>	<u>500</u>	<u>NONE</u>	<u>(199,679)</u>	<u>(200,336)</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND	<u>(11,845)</u>	<u>11,921</u>	<u>11,721</u>	<u>(199,678)</u>	<u>(187,881)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>132,556</u>	<u>72,385</u>	<u>2,701</u>	<u>206,052</u>	<u>413,694</u>
FUND BALANCES AT END OF YEAR	<u>\$120,711</u>	<u>\$84,306</u>	<u>\$14,422</u>	<u>\$6,374</u>	<u>\$225,813</u>

TOWN OF ARCADIA
Arcadia, Louisiana
SPECIAL REVENUE FUNDS

Combining Balance Sheet, December 31, 1996

	<u>3 MILL</u>	<u>INDUSTRIAL INDUCEMENT</u>	<u>INDUSTRIAL DEVELOPMENT</u>	<u>SALES TAX</u>	<u>TOTAL</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$95,568	\$84,739	\$14,422	\$81,053	\$275,782
Due from other funds	25,874	4,218			30,092
Accounts receivable				4,627	4,627
Total current assets	<u>121,442</u>	<u>88,957</u>	<u>14,422</u>	<u>85,680</u>	<u>310,501</u>
Note receivable			75,127		75,127
TOTAL ASSETS	<u><u>\$121,442</u></u>	<u><u>\$88,957</u></u>	<u><u>\$89,549</u></u>	<u><u>\$85,680</u></u>	<u><u>\$385,628</u></u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Current liabilities:					
Accounts payable	\$731	\$4,651		\$996	\$6,378
Due to other funds				78,310	78,310
Total current liabilities	<u>731</u>	<u>4,651</u>	<u>NONE</u>	<u>79,306</u>	<u>84,688</u>
Deferred revenue			\$75,127		75,127
Total Liabilities	<u>731</u>	<u>4,651</u>	<u>75,127</u>	<u>79,306</u>	<u>159,815</u>
Fund Equity - fund balances - unreserved -undesignated	<u>120,711</u>	<u>84,306</u>	<u>14,422</u>	<u>6,374</u>	<u>225,813</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$121,442</u></u>	<u><u>\$88,957</u></u>	<u><u>\$89,549</u></u>	<u><u>\$85,680</u></u>	<u><u>\$385,628</u></u>

TOWN OF ARCADIA
Arcadia, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended December 31, 1996

SPECIAL REVENUE FUNDS

3 MILL FUND

The 3 Mill Fund accounts for 20 percent of the 1987 1 percent sales tax to be dedicated and used for constructing, paving, resurfacing, improving and/or maintaining streets in and for the town.

INDUSTRIAL INDUCEMENT FUND

The Industrial Inducement Fund accounts for 5 percent of the 1987 1 percent sales tax to be dedicated and used for industrial construction, inducement and/or procurement.

INDUSTRIAL DEVELOPMENT FUND

The Industrial Development Fund accounts for the repayment of principal and interest by KADAV, Inc. on a loan the town made to KADAV to financially assist the corporation for certain economic development in the town. Recaptured funds are used to assist other businesses within the town in order to promote economic development and for other purposes approved by the Louisiana Division of Administration.

SALES TAX FUND

The Sales Tax Fund is used to account for the town's sales tax collections. Designated taxes are distributed to the appropriate funds and the remaining portion is used for paying the cost of collection of the taxes and to fund any other lawful purpose.

SUPPLEMENTAL INFORMATION SCHEDULES

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

15. SUBSEQUENT EVENTS

In January, 1997, the poultry plant, one of Arcadia's top ten taxpayers which closed its doors in October, 1996, was purchased by another corporation that plans to reopen the plant in 1997. In February, 1997, the town's main sewer pump failed. The pump, estimated at a cost of \$20,000, will be replaced with current assets of the Water and Sewer Enterprise Fund.

TOWN OF ARCADIA
Arcadia, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended December 31, 1996

CAPITAL PROJECTS FUNDS

**LOUISIANA COMMUNITY DEVELOPMENT
BLOCK GRANT FUNDS**

The Louisiana Community Development Block Grant Funds account for federal grant funds which are dedicated to sewer system improvements and street improvements. The sewer system project was completed during 1996.



**Independent Auditor's Report
on the Internal Control Structure**

**MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana**

I have audited the general purpose financial statements of the Town of Arcadia as of December 31, 1996, and for the year then ended, and have issued my report thereon dated February 21, 1997.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Town of Arcadia is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the general purpose financial statements of the Town of Arcadia for the year ended December 31, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control

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TOWN OF ARCADIA
Arcadia, Louisiana

General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 1996
With Supplemental Information Schedules

C O N T E N T S

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~~PARISH CLERK OF COURT~~

~~LSA-RS 24:516 provides that this report shall be available for public inspection for a period of not less than one year from the date of receipt.~~

~~Legislative Auditor~~

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TOWN OF ARCADIA
Arcadia, Louisiana

**General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 1996
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 APR 16 1997

**VERNON R
COON**
CERTIFIED PUBLIC ACCOUNTANT

TOWN OF ARCADIA
MANAGEMENT LETTER

Page 2

December 31, 1996

Need to Reconcile Customer Deposits

I was unable to reconcile customer deposits per the general ledger cash and liability accounts to customer deposits per Utility Billing System's (UBS) deposit report. At December 31, 1996, the cash account indicated \$3,262 more than UBS while the liability account indicated \$16,764 more than UBS. The following may have contributed to the difference:

- a) Amounts charged for meters were deposited in the customer deposit account.
- b) Deposits were not transferred to the new customer account when customers transferred service to a new address.
- c) Inactive accounts were purged from the system but the deposit remains in the general ledger account.

I recommend that:

- a) Amounts charged for meters be deposited in the Water and Sewer account.
- b) The water clerk transfer deposits with a customer when service is transferred.
- c) The water clerk post the date the deposit is received to UBS.
- d) The town clerk transfer funds from the water and sewer account to the customer service account to agree the cash account to the liability account.
- e) The water clerk reconcile the deposit report to the general ledger monthly.

GENERAL

I am available to assist the management of the town with any problems or questions they may have concerning the above or any other matters.

Respectfully,



Vernon R. Coon
February 21, 1997

MANAGEMENT LETTER

TOWN OF ARCADIA
Arcadia, Louisiana

In planning and performing my audit of the Town of Arcadia's financial statements for the year ended December 31, 1996, certain matters came to my attention which I feel should be conveyed to management of the town. These matters, while not appropriate for inclusion in the various auditor's reports accompanying the financial statements, are item which I feel should be brought to your attention.

**Need to Maintain Records of
General Fixed Assets**

The Town of Arcadia has not maintained complete records of the town's general fixed assets as required. LRS 24:515(B)(1) requires that the town maintain records of all land, buildings, improvements, furniture, and equipment purchased by the town. The records must include information as to the date of purchase, the initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the property disposed of. The town conducted a physical inventory during 1996 and established a listing of equipment. However, vehicles and other equipment totaling \$425,075 were not included in the listing. Further, no listing was established for land and buildings. During my field work, the missing information was obtained by management of the town through additional physical inventories and research of records of the parish tax assessor and clerk of court. I recommend that the fixed asset listing be updated as changes occur and that a complete physical inventory of all fixed assets be conducted at least annually.

**Need to Expend Funds In Accordance
With Tax Proposition**

An invoice totaling \$4,326 was paid from the 3 Mill Fund for Christmas banners. The fund accounts for 20% of the 1987 1% sales tax which is dedicated by the tax proposition to be used for constructing, paving, resurfacing, improving, and maintaining streets. Article VI, Section 26 (B) of the Louisiana Constitution requires that proceeds of taxes be used solely for the purposes set forth in the proposition adopted by the voters. This type of expenditure does not appear to be in accordance with the purpose of the sales tax and should not be made from the 3 Mill Fund. I recommend that such costs be borne by the General Fund.

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA

Arcadia, Louisiana

Independent Auditor's Report on Internal
Control Structure Used in Administering
Federal Financial Assistance Programs,
December 31, 1996

Claims for advances and reimbursements
Amounts claimed or used for matching

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and I assessed control risk.

During the year ended December 31, 1996, the Town of Arcadia expended 94 per cent of its total federal financial assistance under its major federal financial assistance program.

I performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the town's major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

My consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operations that I consider to be material weaknesses as defined above.

This report is intended for the information of the Town of Arcadia, management of the town and interested state and federal agencies. This is not intended to limit the distribution of this report, which is a matter of public record.



West Monroe, Louisiana
February 21, 1997

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA

Arcadia, Louisiana
Independent Auditor's Report on Internal
Control Structure Used in Administering
Federal Financial Assistance Programs,
December 31, 1996

The management of the Town of Arcadia is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting applications:

- Revenues/receipts
- Expenditures/disbursements/purchasing
- Payroll/personnel

General Requirements:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free workplace
- Administrative requirements

Specific Requirements:

- Types of services allowed/unallowed
- Matching
- Reporting
- Special requirements

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana
Independent Auditor's Report
on Compliance, etc.,
December 31, 1996

**Need to Comply with Local
Government Budget Act**

Finding: The town did not comply with state law governing budgetary activity. Louisiana Revised Statute (LRS) 39:1310 requires that budget amendments be adopted when expenditures and other uses to date plus projected amounts to year-end exceed budgeted amounts by 5% or more or when revenues and other sources to date plus projected amounts to year-end fail to meet budgeted amounts by 5% or more. Management of the town did not adequately monitor budgets and, consequently, the 3 Mill Special Revenue Fund's actual expenditures exceeded budgeted expenditures by \$7,883 or 8% while the Sales Tax Special Revenue Fund's actual revenues failed to meet budgeted revenue by \$35,707 or 8%.

Recommendation: I recommend that the town comply with all requirements of the Local Government Budget Act.

Management's Response: We will monitor expenditures and amend the budget when necessary in the future.

I considered this instance of noncompliance in forming my opinion on whether the town's 1996 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect my report dated February 21, 1997, on those general purpose financial statements.

I also noted certain immaterial instances of noncompliance that I have reported to the management of the town in a separate letter dated February 21, 1997.

The audit report for the year ended December 31, 1995, included findings related to secured deposits, general fixed assets, bid law, and budgets. Those findings not referred to above or in a letter to management have been resolved by management of the town.

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana
Independent Auditor's Report on
Internal Control Structure,
December 31, 1996

risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose 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. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

I noted a certain matter involving the internal control structure and its operation that I have reported to management of the town in a separate letter dated February 21, 1997.

This report is intended for the information of the Town of Arcadia, management of the town, and interested state and federal agencies. This is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, appearing to be 'V. ...', written over a horizontal line.

West Monroe, Louisiana
February 21, 1997



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**Independent Auditor's Report on Compliance
With Laws, Regulations, Contracts, and Grants**

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana

I have audited the general purpose financial statements of the Town of Arcadia as of December 31, 1996, and for the year then ended, and have issued my report thereon dated February 21, 1997.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards and the audit guide require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Town of Arcadia is the responsibility of the Town of Arcadia's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of the Town of Arcadia's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

Material instances of noncompliance consist of failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts or grants that cause me to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the general purpose financial statements. The results of my tests of compliance disclosed the following instance of noncompliance.

**Independent Auditor's Report on Compliance With
Specific Requirements Applicable to Nonmajor
Federal Financial Assistance Program Transactions**

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana

I have audited the general purpose financial statements of the Town of Arcadia as of December 31, 1996 and for the year then ended, and have issued my report thereon dated February 21, 1997.

In connection with my audit of the general purpose financial statements of the Town of Arcadia and with my consideration of the Town of Arcadia's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, *Audits of State and Local Governments*, I selected certain transactions applicable to the town's nonmajor federal financial assistance program for the year ended December 31, 1996. As required by OMB Circular A-128, I have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, matching, and reporting that are applicable to those transactions. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Town of Arcadia's compliance with these requirements. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that the Town of Arcadia had not complied, in all material respects, with those requirements.

This report is intended for the information of the Town of Arcadia, management of the town, and interested state and federal grantor agencies. This is not intended to limit the distribution of this report, which is a matter of public record.



West Monroe, Louisiana
February 21, 1997

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA

Arcadia, Louisiana
Independent Auditor's Report on
Compliance With General Requirements
Applicable to Federal Programs,
December 31, 1996

This report is intended for the information of the Town of Arcadia, management of the town, and interested state and federal grantor agencies. This is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, appearing to be 'V. ...', written over a horizontal line.

West Monroe, Louisiana
February 21, 1997

**Independent Auditor's Report on Compliance
With General Requirements Applicable to
Federal Financial Assistance Programs**

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana

I have audited the general purpose financial statements of the Town of Arcadia as of December 31, 1996, and for the year then ended, and have issued my report thereon dated February 21, 1997.

I have applied procedures to test the Town of Arcadia's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended December 31, 1996:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reporting
- Allowable costs/cost principles
- Drug-free Workplace Act
- Administrative requirements

My procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Town of Arcadia's compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to my attention that caused me to believe that the Town of Arcadia, had not complied, in all material respects, with those requirements.

TOWN OF ARCADIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 1996

PROGRAM	FINDING/NONCOMPLIANCE	QUESTIONED COSTS
United States Department of Housing and Urban Development Louisiana Community Development Block Grant - State's Program - CFDA No. 14.228 - Grant No. 101-5088	A budget reconciliation report, dated April 25, 1996, was prepared for the year ended March 3, 1996. Program regulations require that a budget reconciliation report be filed every six months from the date of the first requisition for reimbursement. Management should ensure that the town's consultant is meeting federal program requirements on a timely basis.	NONE

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana
Independent Auditor's Report on Compliance
With Specific Requirements Applicable
To Major Programs,
December 31, 1996

In my opinion, the Town of Arcadia complied, in all material respects, with the requirements governing types of services allowed or unallowed, reporting, environmental review, obligations of funds, claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to its major federal financial assistance program for the year ended December 31, 1996.

This report is intended for the information of the Town of Arcadia, management of the town, and interested state and federal agencies. This is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, appearing to be 'V. ...', written over a horizontal line.

West Monroe, Louisiana
February 21, 1997

TOWN OF ARCADIA
 Arcadia, Louisiana
 Notes to the Financial Statements (Continued)

the town (without being restricted to the provisions of benefits under the plan), subject only to the claims of the town's general creditors. Participants' rights under the plan are equal to those of general creditors of the town in an amount equal to the fair market value of the deferred account for each participant.

A summary of changes in the Deferred Compensation Plan Agency Fund deposits due others follows:

Balance at January 1, 1995	\$447
Additions	<u>2,034</u>
Balance at December 31, 1996	<u>\$2,481</u>

9. CHANGES IN LONG-TERM DEBT

The following is a summary of general long-term debt transactions for the year ended December 31, 1996:

	<u>Bonds Payable</u>	<u>Certificate of Indebtedness</u>	<u>Total</u>
Long-term debt at December 31, 1995	\$1,946,000	\$92,762	\$2,038,762
Retirements	<u>(101,000)</u>	<u>(7,744)</u>	<u>(108,744)</u>
Long-term debt at December 31, 1996	<u>\$1,845,000</u>	<u>\$85,018</u>	<u>\$1,930,018</u>

Long-term debt at December 31, 1996, is comprised of the following individual issues:

1988 Public Improvement Bonds - \$300,000 - Public improvement bond issue dated May 1, 1988, due in annual installments of \$19,000 to \$37,000 through April 2002; interest at 7.0 to 7.9 per cent. Debt retirement payments are made from the 1988 Public Improvement Bonds Debt Service Fund.	\$175,000
1992 Sales Tax Bonds - \$1,700,000 - Sales tax bond issue dated January 1, 1992, due in annual installments of \$50,000 to \$150,000 through January 2012; interest at 6.2 to 11.0 per cent. Debt retirement payments are made from the 1992 Sales Tax Bonds Debt Service Fund.	1,470,000

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana
Independent Auditor's Report
on Compliance, etc.,
December 31, 1996

This report is intended for the information of the Town of Arcadia, management of the town, and interested state and federal agencies. This is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, appearing to be 'V. ...', written in a cursive style.

West Monroe, Louisiana
February 21, 1997



**Independent Auditor's Report on Internal Control
Structure Used in Administering Federal
Financial Assistance Programs**

**MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana**

I have audited the general purpose financial statements of the Town of Arcadia as of December 31, 1996, and for the year then ended, and have issued my report thereon dated February 21, 1997. I have also audited the compliance of the Town of Arcadia with requirements applicable to major federal financial assistance programs and have issued my report thereon dated February 21, 1997.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether the Town of Arcadia complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing my audit for the year ended December 31, 1996, I considered the internal control structure of the Town of Arcadia in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements of the Town of Arcadia and on the compliance of the Town of Arcadia with requirements applicable to its major program, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. I have addressed internal control structure policies and procedures relevant to my audit of the general purpose financial statements in a separate report dated February 21, 1997.

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Independent Auditor's Report

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana

I have audited the general purpose financial statements of the Town of Arcadia, as of December 31, 1996, and for the year ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Arcadia's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Arcadia as of December 31, 1996, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

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TOWN OF ARCADIA
Arcadia, Louisiana
GOVERNMENTAL FUND TYPE

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 1996

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL (MEMORANDUM ONLY)
REVENUES					
Taxes:					
Ad valorem taxes	\$61,850				\$61,850
Sales and use taxes	508,279	\$131,849	\$115,926		756,054
Other taxes, penalties, and interest	82,294				82,294
Licenses and permits	97,252				97,252
Intergovernmental revenues:					
Federal funds	21,245			\$354,592	375,837
State funds	82,393				82,393
Local funds	12,216				12,216
Fees, charges, and commissions					
for services	3,366				3,366
Fines and forfeitures	9,520				9,520
Use of money and property	235	15,903	33,665		49,803
Other revenues	2,256				2,256
Total revenues	<u>880,906</u>	<u>147,752</u>	<u>149,591</u>	<u>354,592</u>	<u>1,532,841</u>
EXPENDITURES					
Current:					
General government	191,216	14,124			205,340
Public safety	291,958				291,958
Public works	215,466	56,549			272,015
Health and welfare	15,565				15,565
Culture and recreation	38,681				38,681
Economic development and assistance		15,446			15,446
Transportation	6,821				6,821
Debt service	14,238		234,376		248,614
Capital outlay	22,246	49,178		354,592	426,016
Total expenditures	<u>796,191</u>	<u>135,297</u>	<u>234,376</u>	<u>354,592</u>	<u>1,520,456</u>

(Continued)

TOWN OF ARCADIA
 Arcadia, Louisiana
 GOVERNMENTAL FUND TYPE
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances, etc.

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>\$84,715</u>	<u>\$12,455</u>	<u>(\$84,785)</u>	<u>NONE</u>	<u>\$12,385</u>
OTHER FINANCING SOURCES (Uses)					
Sale of assets	300				300
Proceeds from insurance	786				786
Operating transfers in	1,157	500	199,679		201,336
Operating transfers out	<u>(500)</u>	<u>(200,836)</u>			<u>(201,336)</u>
Total other financing sources (uses)	<u>1,743</u>	<u>(200,336)</u>	<u>199,679</u>	<u>NONE</u>	<u>1,086</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	86,458	(187,881)	114,894	NONE	13,471
FUND BALANCES AT BEGINNING OF YEAR	<u>75,760</u>	<u>413,694</u>	<u>499,591</u>	<u>NONE</u>	<u>989,045</u>
FUND BALANCES AT END OF YEAR	<u>\$162,218</u>	<u>\$225,813</u>	<u>\$614,485</u>	<u>NONE</u>	<u>\$1,002,516</u>

(Concluded)

The accompanying notes are an integral part of this statement.

TOWN OF ARCADIA
Arcadia, Louisiana
GOVERNMENTAL FUND TYPE - GENERAL AND SPECIAL REVENUE FUNDS

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget (GAAP Basis) and Actual
For the Year Ended December 31, 1996

GENERAL FUND.....		SPECIAL REVENUE FUNDS.....		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes:						
Ad valorem taxes	\$60,000	\$61,850	\$1,850			
Sales and use taxes	496,250	508,279	12,029	\$168,625	\$131,849	(\$36,776)
Other taxes, penalties, and interest	89,700	82,294	(7,406)			
Licenses and permits	86,500	97,252	10,752			
Intergovernmental revenues:						
Federal funds	30,000	21,245	(8,755)			
State funds	29,800	82,393	52,593			
Local funds		12,216	12,216			
Fees, charges, and commissions for services	5,000	3,366	(1,634)			
Fines and forfeitures	14,500	9,520	(4,980)			
Use of money and property	450	235	(215)	15,663	15,903	240
Other revenues	1,000	2,256	1,256			
Total revenues	<u>813,200</u>	<u>880,906</u>	<u>67,706</u>	<u>184,288</u>	<u>147,752</u>	<u>(36,536)</u>
EXPENDITURES						
Current:						
General government	172,270	191,216	(18,946)	14,875	14,124	751
Public safety	279,785	291,958	(12,173)			
Public works	164,012	215,466	(51,454)	58,500	56,549	1,951
Health and welfare	14,500	15,565	(1,065)			
Culture and recreation	80,000	38,681	41,319			
Economic development and assistance				26,320	15,446	10,874
Transportation	14,300	6,821	7,479			
Debt service		14,238	(14,238)	14,240		14,240
Capital outlay	58,000	22,246	35,754	40,000	49,178	(9,178)
Total expenditures	<u>782,867</u>	<u>796,191</u>	<u>(13,324)</u>	<u>153,935</u>	<u>135,297</u>	<u>18,638</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>30,333</u>	<u>84,715</u>	<u>54,382</u>	<u>30,353</u>	<u>12,455</u>	<u>(17,898)</u>
OTHER FINANCING SOURCES (Uses)						
Sale of assets		300	300			
Proceeds from insurance		786	786			
Operating transfers in		1,157	1,157		500	500
Operating transfers out		(500)	(500)		(200,836)	(200,836)
Total other financing sources (uses)	<u>NONE</u>	<u>1,743</u>	<u>1,743</u>	<u>NONE</u>	<u>(200,336)</u>	<u>(200,336)</u>

(Continued)

TOWN OF ARCADIA
 Arcadia, Louisiana
 GOVERNMENTAL FUND TYPE
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Budget
 (GAAP Basis) and Actual, etc.

GENERAL FUND.....		SPECIAL REVENUE FUNDS.....		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$30,333	\$86,458	\$56,125	\$30,353	(\$187,881)	(\$218,234)
FUND BALANCES AT BEGINNING OF YEAR	<u>NONE</u>	<u>75,760</u>	<u>75,760</u>	<u>2,694</u>	<u>413,694</u>	<u>411,000</u>
FUND BALANCES AT END OF YEAR	<u>\$30,333</u>	<u>\$162,218</u>	<u>\$131,885</u>	<u>\$33,047</u>	<u>\$225,813</u>	<u>\$192,766</u>

(Concluded)

The accompanying notes are an integral part of this statement.

TOWN OF ARCADIA
Arcadia, Louisiana
ALL FUND TYPES AND ACCOUNT GROUPS

Combined Balance Sheet, December 31, 1996

GOVERNMENTAL FUND TYPE.....									
	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	LOUISIANA COMMUNITY DEVELOPMENT BLOCK GRANT CAPITAL PROJECTS FUND	PROPRIETARY FUND TYPE - WATER AND SEWER ENTERPRISE FUND	FIDUCIARY FUND TYPE - DEFERRED COMPENSATION PLAN AGENCY FUND	...ACCOUNT GROUPS...		TOTAL MEMORANDUM (ONLY)	
							GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT		
	\$81,142	\$275,782	\$601,369		\$297,211					\$1,255,504
	25,355	30,092	13,643		9,220					78,310
	82,818	4,627		\$254,260	57,295					399,000
	189,315	310,501	615,012	254,260	371,759	NONE	NONE	NONE		1,740,847
					31,941					31,941
		75,127								75,127
					5,441,481		\$1,134,778			6,576,259
									\$2,481	2,481
								\$614,485		614,485
								1,315,533		1,315,533
	\$189,315	\$385,628	\$615,012	\$254,260	\$5,845,181	\$2,481	\$1,134,778	\$1,930,018		\$10,356,673

ASSETS AND OTHER DEBITS

Current assets:	
Cash and cash equivalents	
Due from other funds	
Receivables (net of allowances for uncollectible accounts)	
Inventory	
Total current assets	
Restricted assets - cash and cash equivalents	
Note receivable	
Land, buildings, and equipment (net of accumulated depreciation)	
Deposits with Public Employee Benefits Services Corporation	
Amount available in debt service funds	
Amount to be provided for retirement of general long-term debt	
TOTAL ASSETS AND OTHER DEBITS	

**GENERAL PURPOSE FINANCIAL STATEMENTS
(OVERVIEW)**

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

11. COMMITMENTS UNDER CONTRACTS

During 1996, the town entered into a construction contract and an engineering contract to construct a new water well. The engineering contract was completed during 1996. Construction expenditures incurred under the construction commitment of \$154,750 totaled \$117,904. Current year expenditures are included in construction in progress in the Water and Sewer Enterprise Fund. The remaining commitments are not recorded in the financial statements.

Also during 1996, the town entered into a construction contract and an engineering contract in connection with a \$323,820 Louisiana Community Development Block Grant. The engineering contract was completed during 1996. Construction expenditures incurred under the construction commitment of \$280,125 totaled \$238,642. The total commitment for engineering services was \$39,820. Current year expenditures are included in capital outlay expenditures of the Louisiana Community Development Block Grant Capital Projects Funds. The remaining commitments are not recorded in the financial statements.

12. NONCOMPLIANCE WITH LOCAL GOVERNMENT BUDGET ACT

For the year ended December 31, 1996, Sales Tax Fund revenues and other sources failed to meet budgeted amounts by \$35,707 or 8 percent while 3 Mill Fund expenditures and other uses exceeded budget by \$7,883 or 8 percent.

13. LOCAL SERVICES AGREEMENT

On September 27, 1995, the town entered into an agreement with the Bienville Parish Sheriff for the collection of ad valorem taxes. The sheriff is responsible for mailing tax notices, collecting the taxes owed to the town, and monthly remittance of collections to the town. A five percent collection fee and the cost of printing tax notices is borne by the town. The initial one-year term which began October 1, 1995 is to be automatically extended unless the town notifies the sheriff of its intent to terminate the agreement.

14. LITIGATION AND CLAIMS

At December 31, 1996, the town was involved in one lawsuit involving an accident, which, in the opinion of legal counsel, is adequately covered by the town's liability insurance. Subsequent to December 31, 1996, an additional suit was filed alleging police harrasment of a business commencing July, 1996. No judgment can be made regarding the outcome of that suit at this time. Therefore, no provision for any liability has been made.

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

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 are entitled to a retirement benefit, payable monthly for life, equal to three and one-third per cent 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 produce 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 benefits accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Plan members are required by state statute to contribute 7.5 per cent of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate is 9.0 per cent of annual covered payroll. The contribution requirements of plan members and the Town of Arcadia 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 Town of Arcadia's contributions to the System for the two years ended December 31, 1996 and December 31, 1995, and the six months ended December 31, 1994, were \$12,534, \$10,245 and \$4,162, respectively, equal to the required contributions for each.

8. DEFERRED COMPENSATION PLAN

The town offers its employees and elected officials a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all town employees and officials, permits employees and officials to defer a portion of their salaries until future years. The deferred compensation is not available to employees or officials until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of

LIABILITIES AND FUND EQUITY

Liabilities:									
Current liabilities:									
Accounts payable	\$25,364	\$6,378	\$527	\$254,260	\$45,675				\$332,204
Payroll withholdings payable	1,733	78,310							1,733
Due to other funds	<u>27,097</u>	<u>84,688</u>	<u>527</u>	<u>254,260</u>	<u>45,675</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>412,247</u>
Total Current Liabilities									
Current liabilities (payable from restricted assets) - customer deposits					51,967				51,967
Bonds payable								\$1,845,000	1,845,000
Certificate of indebtedness payable								85,018	85,018
Due to plan participants							\$2,481		2,481
Deferred revenue		<u>75,127</u>							<u>75,127</u>
Total Liabilities	<u>27,097</u>	<u>159,815</u>	<u>527</u>	<u>254,260</u>	<u>97,642</u>	<u>NONE</u>	<u>NONE</u>	<u>1,930,018</u>	<u>2,471,840</u>
Fund Equity:									
Contributed capital					5,397,351				5,397,351
Investment in general fixed assets							\$1,134,778		1,134,778
Retained earnings:									
Reserved for customer deposits					51,967				51,967
Unreserved - undesignated					298,221				298,221
Total retained earnings	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>350,188</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>350,188</u>
Fund balances:									
Reserved for debt service									614,485
Unreserved - undesignated	<u>162,218</u>	<u>225,813</u>	<u>614,485</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>388,031</u>
Total fund balances	<u>162,218</u>	<u>225,813</u>	<u>614,485</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>1,134,778</u>	<u>NONE</u>	<u>1,002,516</u>
Total Fund Equity	<u>162,218</u>	<u>225,813</u>	<u>614,485</u>	<u>NONE</u>	<u>5,747,539</u>	<u>NONE</u>	<u>1,134,778</u>	<u>NONE</u>	<u>7,884,833</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$189,315</u>	<u>\$385,628</u>	<u>\$615,012</u>	<u>\$254,260</u>	<u>\$5,845,181</u>	<u>\$2,481</u>	<u>\$1,134,778</u>	<u>\$1,930,018</u>	<u>\$10,356,673</u>

The accompanying notes are an integral part of this statement.

TOWN OF ARCADIA

Arcadia, Louisiana

Independent Auditor's Report,

December 31, 1996

As discussed in note 14, the Town of Arcadia is a defendant in two lawsuits. The ultimate outcome of the litigation for the suits cannot presently be determined. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying general purpose financial statements.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Town of Arcadia. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards* and OMB Circular A-128, I have also issued reports dated February 21, 1997, on the Town of Arcadia's schedule of federal financial assistance; compliance with laws, regulations, contracts, and grants; and my consideration of the agency's internal control structure.

A handwritten signature in black ink, appearing to be 'K. Smith', written in a cursive style.

West Monroe, Louisiana

February 21, 1997

C O N T E N T S (CONTD.)

	<u>Schedule</u>	<u>Page No.</u>
Independent Auditor's Reports Required by <i>Government Auditing Standards; OMB Circular A-128, Audits of State and Local Governments; and the Single Audit Act of 1984: (Contd.)</i>		
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C O N T E N T S (CONTD.)

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TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

The modified accrual basis of accounting is used for reporting 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 town uses the following practices in recognizing and reporting revenues and expenditures:

Revenues

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the town in November. The Bienville Parish Sheriff, through a local services agreement, bills and collects property taxes using the assessed values determined by the tax assessor of Bienville Parish. The taxes are normally collected in December of the current year and January and February of the ensuing year.

Sales taxes are recognized in the month received by the town's collection agent, the Bienville Parish School Board.

Other taxes, penalties and interest, fees, charges, and commissions for services, fines and forfeitures and intergovernmental revenues are recorded when the town is entitled to the funds.

Interest income on bank deposits is recorded when the interest has been earned and the amount is determinable.

Substantially all other revenues are recorded when they are received by the town.

Based on the above criteria, ad valorem taxes, sales taxes, other taxes, penalties and interest and intergovernmental revenues have been treated as susceptible to accrual.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefits provisions. All employees of the municipality are members of Plan B. 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 municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to two per cent of their final average monthly salary for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced three percent for each year retirement precedes age 60, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce 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 benefits 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 report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Under Plan B, members are required by state statute to contribute 5.0 per cent of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate is 3.0 per cent of annual covered payroll. Contributions to the system include one-fourth of one per cent (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 Town of Arcadia 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 Town of Arcadia's contributions to the System under Plan B for the two years ended December 31, 1996 and December 31, 1995, and the six months ended December 31, 1994, were \$7,455, \$6,336, and \$2,908 respectively, equal to the required contributions for each.

TOWN OF ARCADIA
 Arcadia, Louisiana
 Notes to the Financial Statements (Continued)

	Balance at January 1,	Additions	Deletions	Balance at December 31,
Total	<u>\$1,052,775</u>	<u>\$82,003</u>	<u>NONE</u>	<u>\$1,134,778</u>

General fixed assets as of December 31, 1995 have been restated to reflect change. The town reestablished its inventory listing of fixed assets based on actual physical count, removing those items which had been junked in previous years and not removed from the listing and adding items which had been purchased in previous years and not added to the list.

Capital outlay on Statement B includes expenditures for sewer and street improvements of \$354,592 which are not capitalized in the general long-term debt account group. Further, additions include \$10,579 of assets donated to the town.

A summary of proprietary fund type property, plant, and equipment at December 31, 1996, follows:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$259,828		\$259,828
Water wells	418,404	(\$413,689)	4,715
Pumping plant	93,964	(85,192)	8,772
Purification plant	111,489	(110,703)	786
Storage reservoir tanks	163,232	(113,220)	50,012
Water distribution system	1,368,173	(745,826)	622,347
General equipment	65,097	(26,699)	38,398
Office equipment	7,632	(7,632)	
Improvements	2,800	(2,800)	
Sewer system	5,233,508	(938,921)	4,294,587
Automobiles	49,646	(23,315)	26,331
Construction in progress	135,705		135,705
Total	<u>\$7,909,478</u>	<u>(\$2,467,997)</u>	<u>\$5,441,481</u>

7. PENSION PLANS

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

TOWN OF ARCADIA
 Arcadia, Louisiana
 Notes to the Financial Statements (Continued)

4. DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at December 31, 1996, are as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$25,355	
Special revenue funds:		
3 Mill	25,874	
Industrial Inducement	4,218	
Sales tax		\$78,310
Debt service fund - 1988 Public Improvement Bonds	13,643	
Water and Sewer Enterprise fund	<u>9,220</u>	
 Total	 <u>\$78,310</u>	 <u>\$78,310</u>

5. NOTE RECEIVABLE

On June 12, 1986, the town entered into a contract with KADAV, Inc., wherein the town agreed to loan to KADAV, Inc., \$348,400 of Louisiana Community Development Block Grant proceeds for the renovation of a building in order to promote economic development in Arcadia. KADAV, Inc. agreed to repay the loan principal and interest of three percent per annum, by making sixteen annual payments of \$27,736 through September 1, 2002. On May 31, 1991, the agreement was amended so that KADAV Inc., remits 50 percent of each loan and interest payment directly to the Town of Arcadia and the remaining 50 percent directly to the State of Louisiana, Division of Administration. The principal due the town at December 31, 1996, totals \$75,127. This amount is reflected in the accompanying balance sheet as a note receivable with a corresponding deferred revenue liability recorded to demonstrate that the funds are not available to fund current operations.

6. FIXED ASSETS

The following presents the changes in general fixed assets for the year ended December 31, 1996:

	Balance at January 1,	Additions	Deletions	Balance at December 31,
Land	\$146,533			\$146,533
Buildings	407,893	\$14,289		422,182
Equipment	<u>498,349</u>	<u>67,714</u>		<u>566,063</u>

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

The following are the principal taxpayers for the town and their 1996 assessed valuation (amounts expressed in thousands):

	1996 Assessed Valuation	Per cent of Total Assessed Valuation
Haynes International	\$1,473	13.93%
ConAgra	876	8.28%
Stone Container	786	7.43%
First National Bank, Bienville Parish	642	6.07%
BellSouth	464	4.39%
Factory Outlet Stores of America	325	3.07%
Entergy of Louisiana	279	2.64%
Bienville Motors	207	1.96%
VF Factory Outlet	185	1.75%
McLemore Brothers Rental	145	1.37%
Total	<u>\$5,382</u>	<u>50.89%</u>

3. RECEIVABLES

The following is a summary of receivables at December 31, 1996:

	General Fund	Special Revenue Funds	LCDBG Capital Projects Fund	Water and Sewer Enterprise Fund	Total
Taxes:					
Ad valorem	\$53,869				\$53,869
Other taxes, penalties and interest	21,590	\$4,627			26,217
Federal funds	3,592		\$254,260		257,852
State funds	3,767				3,767
Accounts				\$59,469	59,469
Less allowance for doubtful accounts				(2,973)	(2,973)
Other				799	799
Total	<u>\$82,818</u>	<u>\$4,627</u>	<u>\$254,260</u>	<u>\$57,295</u>	<u>\$399,000</u>

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

II. VACATION AND SICK LEAVE

Full-time employees of the Town of Arcadia earn two weeks of vacation after one year of service. Vacation time which is earned but not used during the calendar year cannot be carried forward into the next calendar year, except under special circumstances pre-approved by the mayor or board of aldermen. Employees earn two weeks sick leave each calendar year following the successful completion of the employee's probationary period. Unused sick leave does not accumulate and cannot be carried forward to the next year.

I. SALES TAX

On May 2, 1987, the voters of the Town of Arcadia approved a one percent sales tax to be used and dedicated as follows: 50% for general operating revenue; 20% for constructing, paving, resurfacing, improving, and/or maintaining streets; 25% for constructing, acquiring, improving and/or maintaining a new city hall building; and 5% for industrial construction, inducement and/or procurement. The tax is for a fifteen year period. On July 13, 1991, the voters approved a one percent sales and use tax requiring that at least 40% of the proceeds be used for constructing, acquiring, extending and/or improving sewer and sewerage disposal facilities and the waterworks system of the town and the remainder to be used for any lawful purpose of the town. The 1991 tax is for a twenty-five year period. The Bienville Parish School Board serves as the collection agent for the sales taxes and is paid a collection fee for acting as such.

**J. TOTAL COLUMN ON THE
COMBINED STATEMENTS**

Total columns on the combined statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. LEVIED TAXES

For the year ended December 31, 1996, a 7 mill tax authorized by the State of Louisiana for general operating purposes was levied on property with assessed valuations totaling \$10,575,650.

TOWN OF ARCADIA
 Arcadia, Louisiana
 Notes to the Financial Statements (Continued)

At December 31, 1996 the town has cash and cash equivalents (book balances) totaling \$1,287,445 as follows:

Demand deposits	\$1,031,571
Petty cash	93
Time deposits	<u>255,781</u>
Total	<u>\$1,287,445</u>

These deposits are stated at cost, which approximates market. Under state law, these 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 in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at December 31, 1996 are secured as follows:

Bank Balances	<u>\$1,377,699</u>
Federal deposit insurance	\$359,459
Pledged securities (uncollateralized)	<u>1,580,618</u>
Total	<u>\$1,940,077</u>

Because the pledged securities are held by a custodial bank in the name of the fiscal agent bank rather than in the name of the town, they are considered uncollateralized (Category 3) under the provisions of GASB Codification C20.106. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the town that the fiscal agent bank has failed to pay deposited funds upon demand. Further, LRS 39:1224 states that securities held by a third party shall be deemed to be held in the town's name.

For purposes of the Statement of Cash Flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

G. INVENTORY

Inventory in the Water and Sewer Enterprise Fund, consisting of expendable supplies held for consumption, is valued at historical cost.

TOWN OF ARCADIA
Arcadia, Louisiana
Notes to the Financial Statements (Continued)

Other Financing Sources (Uses)

Sales of fixed assets, proceeds from insurance, and transfers between funds which are not expected to be repaid are accounted for as other financing sources (uses) and are recognized when the underlying events occur.

Proprietary Fund Type - Water and Sewer Enterprise Fund

The Water and Sewer Enterprise Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

E. BUDGET PRACTICES

A proposed budget for the ensuing year is prepared by the mayor and town clerk and submitted to the board of aldermen. Proposed budgets are prepared on the modified accrual basis. The town publishes a notice of public hearing on the budget and holds the public hearing in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the board of aldermen as a whole. The budget is then adopted through the passage of an ordinance to take affect ten days after passage.

Budget amendments involving the transfer of funds from one department, program, or function or increased expenditures resulting from increases in budgeted revenues require the approval of the board of aldermen. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. The town does not use encumbrance accounting in its accounting system. The budget comparison statement included in the accompanying financial statements includes the original adopted budgets as there were no subsequent amendments.

F. CASH AND CASH EQUIVALENTS

Under state law, the town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

TOWN OF ARCADIA
Arcadia, Louisiana
PROPRIETARY FUND TYPE -
WATER AND SEWER ENTERPRISE FUND

Statement of Cash Flows
For the Year Ended December 31, 1996

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	<u>(\$95,016)</u>
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation expense	172,343
Increase in accounts receivable	11,141
Increase in due from other funds	(9,220)
Decrease in inventory	1,044
Increase in accounts payable	26,007
Increase in customer deposits	<u>3,075</u>
Total adjustments	<u>204,390</u>
Net cash provided by operating activities	<u>109,374</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Sales tax revenue	<u>185,482</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Sale of assets	3,060
Acquisition and construction of capital assets	(153,234)
Principal paid on capital lease	(1,898)
Interest paid on capital lease	<u>(16)</u>
Net cash used by capital and related financing activities	<u>(152,088)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earnings	<u>14,014</u>
-------------------	---------------

NET CHANGE IN CASH AND CASH EQUIVALENTS

156,782

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR172,370**CASH AND CASH EQUIVALENTS AT END OF YEAR**\$329,152

The accompanying notes are an integral part of this statement.

C. FIXED ASSETS AND LONG-TERM DEBT

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures (capital outlay) in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at estimated cost where no historical records are available. Approximately 43 per cent of general fixed assets are valued at estimated historical cost based on the actual cost of like items. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of fixed assets or materially extend their useful lives are not capitalized but are only recognized as a normal current expenditure of the governmental funds. Public domain or infrastructure general fixed assets consisting of roads, bridges and drainage systems are not capitalized, as these assets are immovable and of value only to the town.

The fixed assets used in the proprietary fund type operations are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Water system	30 years
Sewer system	40 years
Improvements	20 years
Equipment and vehicles	4-15 years

General long-term debt, such as bonds and certificates of indebtedness payable, are recognized as a liability of a governmental fund only when due. The remaining portion of such debt is reported in the general long-term debt account group. Long-term liabilities expected to be financed from enterprise fund operations are accounted for in the enterprise fund.

D. BASIS OF ACCOUNTING

The financial and 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 for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the town has determined that there are no component units that are part of the reporting entity.

B. FUND ACCOUNTING

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

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities (general fixed assets and general long-term obligations) that are not recorded in the "funds" because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position, not with the measurement of results of operations.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types." Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The town's current operations require the use of governmental, proprietary and fiduciary fund types described as follows:

Governmental Funds:

General Fund

The General Fund is the general operating fund of the town. It accounts for all financial resources, except those required to be accounted for in other funds.

TOWN OF ARCADIA
Arcadia, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Arcadia was incorporated June 26, 1902, under the provisions of the Lawrason Act. The town operates under a Mayor-Board of Aldermen form of government. The town provides the following services as authorized by its charter: police and fire protection, water and sewerage, streets, industrial development and inducement and general administrative services.

A. REPORTING ENTITY

As the governing authority of the town, for reporting purposes, the Town of Arcadia is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Arcadia for financial reporting purposes. 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 town 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 town.
2. Organizations for which the town does not appoint a voting majority but are fiscally dependent on the town.