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CITY OF GONZALES, LOUISIANA

Financial Report

Year Ended May 31, 1998

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor, or reviewer, and to all 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: 10/23/98

CONRAD P. BOURQUE
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mr. John A. Berthelot, Mayor
And the Members of the City Council
City of Gonzales, Louisiana

I have audited the accompanying general purpose financial statements of the City of Gonzales, Louisiana, as of and for the year then ended, May 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Gonzales, Louisiana'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 and the standards applicable to the financial audits contained in *Governors' Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. 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 City of Gonzales, Louisiana, as of May 31, 1998, and the results of its operations and cash flows of its proprietary fund type for the year ended, in conformity with generally accepted accounting principles.

In accordance with *Governors' Auditing Standards*, I have also issued a report dated October 26, 1998, on my consideration of the City of Gonzales, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Gonzales, Louisiana, taken as a whole. The accompanying financial information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements taken as a whole.

October 26, 1998

Conrad P. Bourque

CITY OF GONZALES, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

MAY 31, 1968

	GOVERNMENT FUND TYPES			PROPRIETARY
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	FUND TYPE ENTERPRISE
ASSETS				
Cash	\$ 418,348	\$ 451,481	\$ 429,169	\$ 454,811
Investments, at cost:				
Certificates of deposit	365,893	--	--	--
Other	4,264,565	904,788	2,733,012	1,452,356
Receivables:	--	--	--	291,792
Due from other funds	323,325	46,240	115,777	--
Due from other government agencies	18,259	--	128,969	--
Accrued interest	3,634	3,497	--	--
Restricted assets:				
Cash	--	--	--	115,827
Due from other funds	--	--	--	708,389
Construction in progress	--	--	--	3,918,347
Property, plant, and equipment, net of accumulated depreciation	--	--	--	18,451,474
Amount available in debt service fund	--	--	--	--
Amount to be provided for unpaid vacation	--	--	--	--
General fund assets	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$1,268,613	\$1,619,659	\$1,598,859	\$25,272,196

FIDUCIARY FUND TYPE AGENCY	ACCOUNT GROUPS		TOTALS	
	GENERAL FINED ASSETS	GENERAL LONG-TERM DEBT	(MEMORANDUM ONLY)	
			1988	1992
\$ -	\$ -	\$ -	\$1,753,800	\$4,289,314
--	--	--	285,990	245,129
--	--	--	5,234,252	4,596,015
--	--	--	191,792	163,764
--	--	--	482,315	328,954
443,808	--	--	382,977	683,877
--	--	--	13,071	13,438
--	--	--	113,827	198,748
--	--	--	706,369	786,369
--	--	--	3,919,347	325,280
--	--	--	18,481,474	14,900,785
--	--	324,690	329,689	455,088
--	--	86,391	86,391	78,663
-----	3,393,698	-----	3,393,485	3,687,611
\$ 443,808	\$3,990,498	\$ 406,391	\$46,219,096	\$33,522,722

CITY OF OUNDALES, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

MAY 31, 1968

(continued)

	GOVERNMENT FUND TYPES			PROPRIETARY
	GENERAL	DEBIT SERVICE	CAPITAL PROJECTS	FUND TYPE ENTERPRISE
LIABILITIES, FUND EQUITY, AND OTHER CREDITS:				
LIABILITIES:				
Accounts payable	\$ 87,041	\$ --	\$ 12,515	\$ 15,469
Accrued expenses	48,718	--	--	14,101
Payable from restricted assets:				
Customer deposits	--	--	--	115,827
Due to other funds	2,864	706,369	--	32,482
General obligation:				
Bonds payable	--	--	--	--
Series 1966 bonds payable	--	--	--	3,819,242
Total Liabilities	\$ 144,823	\$ 706,369	\$ 12,515	\$4,197,417
FUND EQUITY AND OTHER CREDITS:				
Contributed capital	--	--	--	16,765,256
Investment in general				
Fixed assets	--	--	--	--
Retained earnings:				
Reserved	--	--	--	706,310
Unreserved	--	--	--	1,661,159
Fund balances:				
Reserved for debt service	--	713,639	--	--
Unreserved	3,153,812	--	1,186,344	--
Total fund balance	\$ 3,153,812	713,639	1,186,344	4,168,463
Total Fund Equity And Other Credits	3,153,812	713,639	1,186,344	21,134,719
Total Liabilities, Fund Equity, And Other Credits	\$5,298,635	\$1,419,999	\$3,298,859	\$25,212,136

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND TYPE AGENCY	ACCOUNT GROUPS		TOTALS	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM EQUI	(MEMORANDUM ONLY)	
			1998	1997
\$ --	\$ --	\$ --	\$ 135,016	\$ 383,218
--	--	89,201	189,929	178,187
--	--	--	115,827	168,748
443,808	--	--	1,191,863	1,245,263
--	--	120,000	320,000	433,800
--	--	--	3,619,547	535,268
<u>443,808</u>	<u>---</u>	<u>489,201</u>	<u>5,831,073</u>	<u>2,888,359</u>
--	--	--	16,785,286	13,321,167
--	9,999,488	--	9,999,488	8,687,431
--	--	--	786,319	786,369
--	--	--	3,663,159	3,332,012
--	--	--	713,699	599,164
<u>---</u>	<u>---</u>	<u>---</u>	<u>8,580,156</u>	<u>6,336,388</u>
--	--	--	13,823,269	11,184,465
<u>---</u>	<u>9,999,488</u>	<u>---</u>	<u>40,389,032</u>	<u>33,021,063</u>
\$ 443,808	\$ 9,999,488	\$ 489,201	\$46,239,694	\$38,922,722

CITY OF GONZALES, LOUISIANA

COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

YEAR ENDED MAY 31, 1998

	GENERAL	DEBT SERVICE
REVENUE:		
Taxes	\$3,583,435	\$ 553,864
Franchise fees	599,094	--
Licenses and permits	340,187	--
Fines and forfeits	303,747	--
Miscellaneous	136,829	--
Charges for services	237,251	--
Intragovernmental	166,077	--
Interest	198,430	59,251
Total revenues	\$5,641,540	\$ 613,115
EXPENDITURES:		
Current:		
General Government	\$ 715,009	\$ --
Public Safety:		
Police	1,482,334	--
Fire	164,433	--
Streets and parks	588,673	--
Sanitation	325,384	--
Recreation	497,273	--
Civic Center	38,825	--
Drainage	178,409	--
Sanitification	18,843	--
Capital and other outlays	--	--
Debt service:		
Principal retirement	--	415,000
Interest & fiscal charges	--	43,829
Total expenditures	\$3,921,439	\$ 458,829
EXCESS OF REVENUES OVER EXPENDITURES	1,920,485	154,486
OTHER FINANCING SOURCES (uses):		
Payment to refunded bond sec. Agent	--	--
Transfers (out) in	(477,200)	--
Total other financing sources (uses)	\$ (477,200)	\$ --
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,443,285	154,486
FUND BALANCE, BEGINNING OF YEAR	3,738,527	529,369
FUND BALANCE, END OF YEAR	\$5,181,812	\$ 713,855

The accompanying notes are an integral part of this statement.

**CAPITAL
PROJECTS**

**TOTALS
(MEMORANDUM ONLY)**

	1988	1987
\$1,287,136	\$1,436,425	\$4,840,479
--	380,804	572,064
--	743,387	558,513
--	282,347	232,990
1,402	132,251	289,880
--	227,251	321,773
621,219	791,296	712,212
189,025	425,896	452,720
\$2,882,812	\$2,139,857	\$7,872,577
--	712,879	888,684
--	1,482,234	1,441,485
--	104,433	128,886
--	583,673	627,628
--	325,384	312,889
--	457,275	403,484
--	38,825	171,941
--	178,429	32,591
--	18,843	10,942
1,990,121	1,990,121	1,486,915
--	415,900	403,000
--	42,829	280,146
\$1,990,121	\$2,182,203	\$2,801,881
92,691	2,127,602	1,869,686
--	--	(1,488,684)
477,280	--	(736,162)
\$ 477,280	\$ --	\$ (4,181,000)
509,881	2,127,602	(2,225,117)
2,816,452	7,086,144	8,321,461
\$3,326,333	\$9,213,806	\$7,896,244

CITY OF GONZALES, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL AND CAPITAL PROJECTS FUNDS

YEAR ENDED MAY 31, 1998

	GENERAL FUND		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
REVENUES:			
Taxes	\$2,996,480	\$3,383,413	\$ 386,933
Franchise fees	594,000	590,004	(3,996)
Licenses and permits	516,000	743,187	227,187
Fines and forfeits	212,000	202,747	(9,253)
Miscellaneous	107,950	130,809	22,859
Charges for services	212,000	227,210	15,210
Intra-governmental	160,650	166,077	5,427
Interest	20,000	198,610	178,610
Total revenues	\$4,879,080	\$5,841,948	\$962,868
EXPENDITURES:			
Current:			
General government	764,350	713,009	49,031
Public safety:			
Police	1,537,825	1,482,334	55,491
Fire	147,800	104,423	43,377
Streets and parks	598,800	586,073	12,727
Sanitation	323,800	329,384	(5,584)
Recreation	538,800	497,223	41,577
Civic center	43,900	39,025	4,875
Drainage	194,200	176,489	17,711
Rehabilitation	32,700	10,843	21,857
Total expenditures	\$4,188,475	\$5,931,435	\$742,960
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	690,605	1,910,485	1,217,960
OTHER FINANCING SOURCES (uses):			
Operating transfers in (out)	1003,320	1077,280	73,960
Total other sources (uses)	\$ 1,003,320	\$ 1,077,280	\$ 73,960
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	--	1,433,285	1,433,285
FUND BALANCE, BEGINNING OF YEAR	\$1,739,527	\$1,739,527	\$-----
FUND BALANCE, END OF YEAR	\$2,739,527	\$2,152,812	\$586,715

The accompanying notes are an integral part of this statement.

CAPITAL PROJECTS FUND

BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$1,806,900	\$1,287,126	\$ 519,774
--	--	--
--	--	--
--	1,432	1,432
--	--	--
568,890	625,239	125,239
<u>30,800</u>	<u>109,025</u>	<u>119,025</u>
\$1,556,900	\$2,082,892	\$ 525,992
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
--	--	--
<u>2,034,380</u>	<u>1,890,121</u>	<u>43,979</u>
\$2,034,380	\$1,890,121	\$ 43,979
(477,200)	92,681	569,881
<u>477,200</u>	<u>477,200</u>	<u>---</u>
\$ 477,200	\$ 477,200	\$ ---
--	568,891	568,891
<u>\$2,816,453</u>	<u>\$2,816,453</u>	<u>---</u>
\$2,816,453	\$2,816,454	\$ 568,891

CITY OF GONZALES, LOUISIANA
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS -
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 YEAR ENDED MAY 31, 1998

OPERATING INCOME:	
Charges for services:	
Gas sales	\$ 650,700
Sewer service charges	158,618
Water sales	432,227
Miscellaneous	<u>32,013</u>
Total operating income	\$ 1,073,558
OPERATING EXPENSES:	
Gas department	\$ 122,787
General and administrative	234,408
Depreciation & amortization	454,359
Sewer treatment	364,691
Water department	281,364
Sewer department	155,280
Provision for bad debts	<u>1,878</u>
Total operating expenses	\$ 2,340,757
OPERATING (LOSS)	(366,117)
NON-OPERATING INCOME:	
Interest income	<u>102,900</u>
NET (LOSS)	(263,217)
DEPRECIATION TRANSFERRED TO CONTRIBUTIONS	454,359
RETAINED EARNINGS, BEGINNING OF YEAR	<u>4,818,321</u>
RETAINED EARNINGS, END OF YEAR	\$ 4,368,469

The accompanying notes are an integral part of this statement.

CITY OF GONZALES, LOUISIANA

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPE - ENTERPRISE FUND

YEAR ENDED MAY 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net operating loss	\$ 248,242
Adjustments to reconcile net loss to net cash (used in)	
Operating activities:	
Depreciation and amortization	454,277
Provision for bad debts	7,878
(Increase) Decrease in:	
Accounts receivable	(35,806)
Increase in:	
Accounts payable	(9,807)
Accrued liabilities	6,099
Due to other fund	(182,022)
NET CASH PROVIDED BY OPERATING ACTIVITIES	158,862
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from long term debt	3,294,282
Contributions from City of Gonzales	3,533,239
Contributions from Special Construction	10,828
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCIAL ACTIVITIES	6,908,371
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	182,908
Purchase of investments	(78,347)
Purchase of plant and equipment	(2,328,360)
NET CASH USED IN INVESTING ACTIVITIES	(2,223,812)
NET INCREASE IN CASH AND CASH EQUIVALENTS	144,640
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	403,592
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 578,638

The accompanying notes are an integral part of this statement.

CITY OF GONZALES, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 1998

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gonzales, Louisiana, was incorporated April 15, 1973, under the provision of the Louisiana Act. The City operates under a Mayor – City Council form of government.

The accounting and reporting practices of the City of Gonzales, Louisiana, conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, *Audit of State and Local Governmental Units*, published by the American Institute of Certified Public Accountants.

Financial Reporting Entity – This report includes all funds and account groups, which are controlled by, or dependent on the City's executive and legislative branches (the Mayor and the City Council). Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, certain organizations are not part of the City and are thus excluded from the accompanying financial statements. These are the Friends of the Museum, Beautification Board, and Committee on Cultural Affairs. The City exercises no control over their operations.

The following is a summary of certain significant accounting policies:

Fund Accounting – The accounts of the City of Gonzales, Louisiana, are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise: assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into fund types and account groups as follows:

CITY OF MONROE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Type:

- a. **General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Debt Service Fund** – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- c. **Capital Projects Funds** – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and agency funds).

Proprietary Fund Type:

Enterprise Fund – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary Fund Type:

Agency Fund – Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund is used to collect sales taxes.

CITY OF CONZALEE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets and Long-Term Liabilities - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and recorded as expenditures in the governmental fund types when purchased. The City has elected to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements. No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

The proprietary fund is accounted for on a cost of service or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or non-current) associated with its activity are included on its balance sheet.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	YEARS
Lines, mains, & sewer system	20-50
Equipment	4-10
Vehicles	4

All fixed assets are stated at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets of \$18,000 are stated at their estimated fair value on the date received.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

CITY OF MONROE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes (Agreedy Fund) are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Property taxes, sales taxes, and interest revenue are treated as susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

Transfers between funds are not expected to be repaid and are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

All proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

Budgets and Budgetary Accounting – The City follows these procedures in establishing the budgetary data reflected in these financial statements:

- 1) The City Mayor and Clerk prepare a proposed budget message and budget and submit same to the City Council prior to the beginning of each fiscal year.
- 2) A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- 3) A public hearing is held on the proposed budget at least two weeks after publication of the call for the hearing.
- 4) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

CITY OF GONZALES, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5). Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.

6). All budgetary appropriations lapse at the end of each fiscal year.

7). The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except for depreciation, amortization, and bad debts expense, which are not considered. The budget for the Capital Projects Fund is adopted on a project-by-project basis. Budgeted amounts are as originally adopted, or as amended from time to time by the City Council. Such amendments were not material in relation to the original appropriations.

Investments – Investments, are stated at market value.

Inventories – Inventory of supplies is immaterial in the dollar amount and all supplies are expensed when purchased.

Bad Debts – Uncollectible amounts due for ad valorem taxes and customers' utility receivables are expensed when the debt becomes uncollectible, which is not materially different from generally accepted accounting principles. The City considers any utility receivable whose service has been disconnected to be uncollectible. All utility receivables with service are considered collectible. As of May 31, 1998, \$7,838 was considered uncollectible.

Prepaid Expenses – Payments made, which will benefit periods beyond May 31, 1998, are recorded as prepaid expense.

Accumulated Unpaid Vacation Benefits – For the governmental fund types, the City's liability for accumulated unpaid vacation has been recorded in the general long-term debt group of accounts. For the proprietary fund type, the liability has been accrued within that fund.

Comparative Data – Comparative total data for the prior year has 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 read.

CITY OF GONZALES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998

(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Total Columns on Combined Statements – Total columns on the combined 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 is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Statement of Cash Flows – For purposes of the statement of cash flows, the Utility Enterprise Fund considers all highly liquid investments (including restricted assets), with a maturity of three months or less when purchased to be cash equivalents.

CITY OF GONZALES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998

(continued)

NOTE 2 - DEPOSITS AND INVESTMENTS

The carrying amount of the City's deposits, including certificates of deposit, with financial institutions as of May 31, 1998, was \$2,145,629 and the bank balance was \$3,174,617. The bank balance is categorized as follows:

Amount insured by FDIC (Category 1)	\$ 200,764
Amounts collateralized with securities held by trust departments of banks other than the fiscal agent (Category 2)	\$2,973,853
Amounts uninsured and unsecured	—
	<u>\$3,174,617</u>

Statute authorizes the City to invest in United States bonds, treasury notes or certificates, time certificates of deposit of Louisiana state banks and national banks having the principal office in the State of Louisiana, or any other federally insured investments.

The government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name or (3) uninsured and unregistered for which securities are held by the broker or dealer, or by its trust department or agent but not in the government's name. As of May 31, 1998, investments consisted of the following:

	Categories		Carrying Amount	Market Value
	1	2		
U.S. Government Securities	\$ —	\$ 414,182	\$ 414,182	\$ 414,182
LAMP Funds	—	—	8,980,432	8,980,432
Total Investments	\$ —	\$ 414,182	\$9,394,614	\$9,394,614

CITY OF GONZALES, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998
(continued)

NOTE 3 – AD VALOREM TAXES

Ad valorem taxes attach as enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October, and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Ascension Parish.

For the year ended May 31, 1998, taxes of 31.10 mills were levied on property with assessed valuations totaling \$42,150,840 and were dedicated as follows:

Debt service	2.55 mills
General corporate purposes	5.28 mills
Fire department	3.27 mills

Total taxes levied were \$467,874. At May 31, 1998, only a minor amount of taxes were uncollected and adjudicated to the City.

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES

Interfund receivables and payables consisted of the following:

	Interfund Receivables	Interfund Payables
General Fund	\$ 323,335	\$ 9,065
Debt Service Fund	48,240	706,308
Capital Projects Fund	115,377	—
Proprietary Fund	706,309	32,483
Agency Fund (Sales Tax)	—	443,808
	\$1,191,664	\$1,191,664

NOTE 5 – RESTRICTED ASSETS

Restricted assets at May 31, 1998, were applicable to the following:

	1996 Fund
Customer Deposits	\$ 313,827
Due from Debt Service Fund for 1996 Series Reserve Fund	706,309

CITY OF GONZALES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998

(continued)

NOTE 6 - CONCENTRATION OF CREDIT RISK - PROPRIETARY FUNDS

Accounts receivable from utility customers were comprised of the following sources: residential - 67%; commercial - 37%; other governmental agencies - 2%. Outstanding balances are partially secured by deposits made when service is requested.

NOTE 7 - FUND ASSETS

A summary of changes in general fund assets follows:

	Balance 5-31-97	Additions	Retirements	Balance 5-31-98
Land	\$ 261,308	\$ --	\$ --	\$ 261,308
Buildings	1,844,160	216,878	--	2,061,038
Improvements - other				
- than buildings	2,204,982	600,238	--	2,805,220
Equipment	909,992	115,529	--	1,025,521
Vehicles	423,048	88,810	40,888	570,970
Totals	\$8,687,490	\$1,201,755	\$ 40,888	\$9,999,499

A summary of proprietary fund type property, plant, and equipment as May 31, 1998 follows:

Land	\$ 118,828
Storage buildings	21,474
Lines, meters, and plants	19,899,609
Equipment	258,903
Vehicles	182,969
Total	\$ 20,481,883
Less accumulated depreciation	-5,971,127
	\$ 14,510,756

CITY OF GONZALES, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998
(continued)

NOTE 4 - CHANGES IN LONG-TERM DEBT

The following is a summary of bond transactions of the City of Gonzales for the year ended May 31, 1998:

	<u>General Obligation</u>	<u>Utility</u>	<u>Total</u>
Bonds payable, June 1, 1997	\$ 455,000	\$ 325,265	\$ 880,265
Debt issued	—	3,394,282	3,394,282
Debt matured	(135,000)	—	(135,000)
Bonds payable, May 31, 1998	\$ 320,000	\$3,919,547	\$4,239,547

Debt payable at May 31, 1998, are comprised of the following individual issues:

General obligation bonds:

\$750,000 Public improvement bonds dated October 1, 1977, due in annual installments of \$50,000 - \$60,000 through April 1, 2000; interest at 5.75% (This is secured by collection of sales tax). 230,000

\$1,250,000 Sewer improvement bonds dated October 1, 1977, due in annual installments of \$10,000 through October 1, 2002; interest at 5.75% (This is secured by levy and collection of ad valorem taxes). 40,000

\$810,000 General obligation refunding issued dated September 1, 1991, due in annual installments of \$15,000 through March 1, 2002; interest at 6.15%-6.4% (This issue is secured by levy and collection of ad valorem taxes). 60,000
\$ 320,000

Utility obligation bonds:

\$7,500,000 Sewer improvement bonds dated May 28, 1997, due in annual installments of \$280,000 to \$485,000 through March 1, 2017; interest at 2.95% (This is secured by collection of sales tax). \$3,919,547

CITY OF DONNALES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998

(continued)

NOTE 8 - CHANGES IN LONG-TERM DEBT (continued)

The annual requirements to amortize all debts outstanding as of May 31, 1998, including interest payments of \$40,213 are as follows (This information does not include the Sewer improvement bonds dated May 28, 1997, because the obligation amount has not yet been determined):

<u>Years ending May 31</u>	<u>General Obligation</u>
1998	\$ 51,979
2000	50,407
2001	57,798
2002	57,973
Thereafter	<u> </u>
	\$ 360,213

NOTE 9 - DEDICATION OF PROCEEDS AND FLOW OF FUNDS - 1.5% SALES AND USE TAX

Bonds resolution of August, 1977 requires that the proceeds of the special 1.5% sales and use tax now being levied and collected by the City be deposited with the City's regularly designated fiscal agent bank in a Sales Tax Fund, which is considered an Agency Fund. Fixed monthly payments are required to be made from the Sales Tax Fund to the Sales Tax Bond Sinking Fund presently in the amount of \$5,221. The 1977 bond issue required payments to be made into a "Bond Reserve Fund" and such time as \$104,164 was accumulated. The money in this reserve fund is to be retained solely for the purpose of paying the principal and the interest on the bonds payable from the alternate sinking fund as to which there would otherwise be default. Any monies remaining in the Sales Tax Fund after making the required payments into the Bond Sinking Fund for the current month and for prior months, during which the required payments may not have been made, shall be considered as surplus.

CITY OF GONZALES, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998
(continued)

NOTE 9 - DEDICATION OF PROCEEDS AND FLOW OF FUNDS - 1% SALES
AND USE TAX (continued)

Such surplus may be transferred to the General Fund for the purpose of paying all or any portion of the necessary costs and expenses of collecting the tax, the cost of constructing, acquiring, improving, and/or extending any of the capital improvements or any other purpose for which the tax is authorized, or for the purpose of retiring bonds herin authorized in advance of their maturities either by purchase of bonds then outstanding at prices not greater than the then redemption prices of said bonds or by retiring such bonds at the prices and in the manner set forth in said resolution of August 27, 1977.

NOTE 10 - PENSION PLAN

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

A. Municipal Employees Retirement System of Louisiana (General)

Plan Description. The system is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City in this System are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, or at after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent 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 benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

CITY OF GONZALES, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998
(continued)

NOTE 10 - PENSION PLANS (continued)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7817 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 625-4410.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the City of Gonzales is required to contribute at an actuarially determined rate. The current rate is 5.75 percent of annual covered payroll. Contributions to the System also include one-fifth of one percent (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 City of Gonzales 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 contributions of the City of Gonzales to the System under Plan A for the year ending May 31, 1998, were \$84,791.

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 30 years of creditable service or 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 3 1/3 percent of their final-average salary of each year of creditable service. Final-average salary is the employee's average salary over the 30 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 previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana 8401 United Plans Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 829-7411.

CITY OF GONZALES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1998

(continued)

NOTE 10 - PENSION PLAN (continued)

Funding Policy: Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the City of Gonzales is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the City of Gonzales are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:123, 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 contributions of the City of Gonzales for the year ending May 31, 1998, were \$84,266.

NOTE 11 - CONTRIBUTED CAPITAL PROPRIETARY FUND

During the year ended May 31, 1998, the City's Capital Project Fund expended \$1,985,648 for the benefit of the Proprietary (Utility) Fund. These expenditures were \$1,943,648 for improvements to the sewer and water systems and \$42,000 for equipment. The expenditures were capitalized with a corresponding increase in contributed capital.

NOTE 12 - CONTINGENCIES

Litigation. - Various lawsuits are pending against the City. In the opinion of City management, the potential loss on lawsuits will not be material to the City's general purpose financial statements.

NOTE 13 - SEWER IMPROVEMENT

The City committed to building an environmental enhancement facility (sewer treatment plant). The cost of the plant and pump station improvements is projected to have a limit of \$7,180,800. The cost is to be funded by a loan from the Louisiana Department of Environmental Quality Municipal Facilities Revolving Loan Fund.

CITY OF GONZALES, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN RETAINED EARNINGS - ACTUAL COMPARED

TO BUDGETARY BASIS - PROPRIETARY FUND TYPE - ENTERPRISE FUND

YEAR ENDED MAY 31, 1998

	ACTUAL	ADJUSTMENT TO BUDGETARY BASIS
OPERATING INCOME:		
Charges for utility services:		
Gas sales	\$ 958,703	\$ --
Sewer service charges	538,659	--
Water sales	472,227	--
Miscellaneous	53,851	--
Total operating income	\$2,023,440	\$ --
OPERATING EXPENSES:		
Gas department	\$ 712,787	\$ --
General and Administrative	234,438	--
Depreciation and amortization	484,259	(1) (484,259)
Sewer treatment	364,851	--
Water department	281,764	--
Sewer department	133,289	--
Provision for bad debts	2,828	(2) (2,828)
Total operating expenses	\$2,243,757	\$ (462,237)
OPERATING (LOSS)	(206,317)	--
NONOPERATING INCOME:		
Interest income	102,900	--
NET INCOME	(100,217)	462,237
DEPRECIATION TRANSFERRED TO CONT.	484,259	(1) (484,259)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>4,018,322</u>	--
RETAINED EARNINGS, END OF YEAR	\$4,289,463	\$ 7,878

(1) The City does not budget depreciation expense.

(2) The City does not budget bad debts.

The accompanying notes are an integral part of this statement.

ACTUAL ON BUDGETARY BASIS	BUDGET	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 994,703	\$ 910,000	\$ 84,703
351,459	540,000	18,659
432,227	435,000	37,227
<u>52,015</u>	<u>75,000</u>	<u>(22,985)</u>
\$3,004,640	\$1,960,000	\$ 74,640
722,787	720,000	(2,787)
294,438	360,550	137,112
--	--	--
264,651	368,500	1,849
281,364	300,700	28,366
153,288	178,250	22,962
<u>--</u>	<u>--</u>	<u>--</u>
\$3,778,528	\$1,960,000	\$ 183,488
256,120	--	256,120
--	--	--
<u>102,500</u>	<u>--</u>	<u>102,500</u>
358,020	--	358,020
--	--	--
<u>4,618,321</u>	<u>4,618,321</u>	<u>--</u>
\$4,377,341	\$4,818,321	\$ 359,020

CITY OF DONZEALES, LOUISIANA
 CAPITAL PROJECTS FUND - CAPITAL OUTLAYS
 STATEMENTS OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 YEAR ENDED MAY 31, 1968

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Sales tax	\$1,906,980	\$1,287,126	\$ 600,226
Video/Poker proceeds	900,000	579,219	79,219
Miscellaneous	—	1,432	1,432
Interest	50,000	168,025	118,025
Total revenues	\$2,856,980	\$2,037,812	\$ 819,912
EXPENDITURES:			
Capital Outlays:			
Street overlay project	675,000	649,119	25,881
Police capital	110,200	105,994	4,606
Street lighting	173,300	75,586	97,714
Street department	300,000	44,274	55,726
Sidewalk construction	15,000	—	15,000
Tourist Center	76,900	60,468	16,432
Drainage department	15,000	440	14,560
Civic center	105,500	148,707	66,713
Recreation capital	354,600	215,451	199,149
Sewer rehabilitation	801,300	483,297	328,003
Utility dept. capital	122,000	120,634	1,366
General administration	65,000	84,421	(19,381)
Total expenditures	\$2,754,000	\$1,999,021	\$ 755,879
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,077,100)	42,691	1,209,791
OTHER FINANCING SOURCES:			
Opening transaction in	1,187,100	673,290	(219,600)
EXCESS OF EXPENDITURES AND OTHER SOURCES OVER REVENUES	\$ —	\$ 819,891	\$ 819,891

The accompanying notes are an integral part of this statement.

CITY OF GONZALES, LOUISIANA

YEAR ENDED MAY 31, 1998

SCHEDULE OF PER DIEM PAID

	MONTHLY		ANNUAL
	2 Months	3 Months	
Alvin "Bully" Drog	100	3000	\$ 6,750
Frank Gordon	100	600	6,750
Kenneth Mirama	100	600	6,750
Larry Savell	100	600	6,750
Ronald Wagunpach	100	600	<u>6,750</u>
			\$30,750

Conrad P. Bourque

P.O. BOX 1429
1004 E. WOODSLEY STREET
MONROE, LA 70002-1429
CENLAPAR (504) 837-2777

CERTIFIED PUBLIC ACCOUNTANT

MEMBER
AMERICAN INSTITUTE OF CPAs
SOCIETY OF LOUISIANA CPAs

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 Mr. John A. Barthelemy, Mayor
And the Members of the City Council
City of Gonzales, Louisiana

I have audited the financial statements of the City of Gonzales, Louisiana, as of the year ended May 31, 1998, and have issued my report dated October 28, 1998. I conducted my 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 Gonzales, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Gonzales, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide assurance on the internal control over financial reporting. My 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

The Honorable Mr. John A. Bertelsen, Mayor
And the Members of the City Council

This report is intended for the information of the City Council, management, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

October 26, 1998

Conrad P. Bourgeois

CITY OF GONZALES, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Gonzales.
2. There were no reportable conditions during the audit of the general purpose financial statements.
3. One instance of noncompliance which was immaterial to the general purpose financial statements of the City of Gonzales was disclosed during the audit.

B. FINDING - FINANCIAL STATEMENTS AUDIT

Noncompliance

Illegal Act

- | | |
|------------------------|---|
| Condition: | Former employee was altering receipt records for payments on utility bills and misappropriating cash as a result. |
| Criteria: | When employees are required to handle large sums of cash, the possibility of theft exists. |
| Effect: | Former employee did misappropriate some cash. |
| Recommendation: | Employee should be terminated and full restitution should be recovered. |

CITY OF OUNZALEE, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
YEAR ENDED MAY 31, 1998

FINDING

- Condition:** Budget was not amended when actual expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding estimated budgeted expenditures by 5 percent or more.
- Recommendation:** It was recommended that the governing authority be advised in writing when the above condition is present. At that time, the governing authority shall adopt a budget amendment in an open meeting to reflect such change.
- Corrective Action:** The City management does concur with this recommendation and are currently following the required budget practices.



City of Gonzales

200 SOUTH BREA BOULEVARD - GONZALES, LOUISIANA 70707 - PHONE (504) 847-1247 - FAX (504) 847-1211

CORRECTIVE ACTION PLAN

10-28-98

Dr. Daniel G. Kyle, CPA
Legislative Auditor
P.O. Box 84397
Baton Rouge, La. 70804-8397

City of Gonzales respectfully submits the following corrective action plan for the year ended 9-30-98.

Name and address of independent public accounting firm:
Conrad P. Bourque, CPA
P.O. Box 1123
Gonzales, La. 70707-1123

Audit period: 8-1-97 to 3-31-98

The findings from the 9-30-98 schedule of findings and questioned costs is discussed below. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

B. FINDING-FINANCIAL STATEMENT AUDIT

Noncompliance

1. Illegal Acts

Recommendation: Employees should be terminated & full restitution received.

Action Taken: We concur with the recommendation, and it was implemented effective 9-29-97.

Sincerely,

Terry S. Tripp, OMC/AAE
City Clerk/Tax Collector

TST,lb