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CITY OF BASTROP, LOUISIANA

FINANCIAL REPORT

JUNE 30, 1998

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 ~~NOV 4 1999~~

HILL, INZINA & COMPANY

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

We have audited the accompanying general-purpose financial statements and the combining, individual fund and account group financial statements of City of Bastrop, Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the management of City of Bastrop, Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Bastrop, Louisiana, as of June 30, 1998, and the results of its operations and cash flows of its proprietary and fiduciary fund types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining, individual fund and account group financial statements as of and for the year ended June 30, 1998, and the individual fund financial statements as of and for the year ended June 30, 1997, present fairly, in all material respects the financial position of each of the individual funds and account groups of City of Bastrop, Louisiana, as of June 30, 1998 and 1997, and the results of operations of such funds and the cash flows of individual proprietary and fiduciary fund types for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 1998, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit of the June 30, 1998, financial statements was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole, and on the combining, individual fund and account group financial statements. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and/or as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The supplementary data is not a required part of the financial statements of City of Bastrop, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose, combining, individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

September 10, 1998

Hill, Priddy & Co.

GENERAL-PURPOSE FINANCIAL STATEMENTS

(COMBINED STATEMENTS - OVERVIEW)

CITY OF BASTROP, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1998

With Comparative Totals for June 30, 1997

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
ASSETS AND OTHER DEBITS			
Assets:			
Cash	\$ 397,654	\$ 96,815	\$ 30,592
Pooled deposits	526,903	1,356,290	-
Investments	-	-	-
Receivables:			
Accounts	-	107,373	-
Taxes	61,043	-	-
Inventory	46,385	-	-
Due from other governments	83,363	3,346	-
Due from Non-Expendable Trust Fund	11,586	-	-
Restricted asset - cash	497	310,199	-
Loans receivable - net	-	-	-
Net investment in direct financing lease	-	-	-
Fixed assets - net	-	-	-
Other debits:			
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Amount to be provided for retirement of pension liabilities	-	-	-
Amount to be provided for compensated absences	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets and other debits	<u>\$ 1,127,431</u>	<u>\$ 1,874,023</u>	<u>\$ 30,592</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Debt	June 30, 1998	1997
Enterprise	Non- Expendable Trust				
\$ 374,575	\$ 14,283	\$ -	\$ -	\$ 913,919	\$ 709,706
-	247,579	-	-	2,130,772	2,210,211
-	-	-	-	-	425,322
-	-	-	-	107,373	84,996
-	-	-	-	61,043	142,064
-	-	-	-	46,385	49,079
-	-	-	-	86,709	269,641
-	-	-	-	11,586	11,586
-	-	-	-	310,696	181,052
25,876	-	-	-	25,876	42,651
106,982	-	-	-	106,982	116,295
410,167	-	42,085,231	-	42,495,398	41,649,271
-	-	-	-	-	31,317
-	-	-	7,230,000	7,230,000	7,238,683
-	-	-	584,280	584,280	693,032
-	-	-	230,910	230,910	173,144
<u>\$ 917,600</u>	<u>\$ 759,494</u>	<u>\$ 42,085,231</u>	<u>\$ 8,045,190</u>	<u>\$ 54,341,929</u>	<u>\$ 54,028,050</u>

(continued)

CITY OF BASTROP, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

(Continued)

June 30, 1998

With Comparative Totals for June 30, 1997

Governmental Fund Types

	General	Special Revenue	Debt Service
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Bank overdraft	\$ -	\$ 953	\$ -
Accounts payable	243,412	-	-
Payroll withholdings	29	-	-
Deferred revenue	150,663	-	-
Accrued salaries	59,167	-	-
Due to General Fund	-	-	-
Deferred compensation benefits	-	-	-
Refund due	-	-	30,592
Payable from restricted asset	296	-	-
General obligation bonds payable	-	-	-
Certificates of indebtedness payable	-	-	-
Sewer revenue bonds	-	-	-
Pension liabilities	-	-	-
Compensated absences payable	-	-	-
Total liabilities	<u>\$ 453,567</u>	<u>\$ 953</u>	<u>\$ 30,592</u>
Equity and other credits:			
Contributed capital	\$ -	\$ -	\$ -
Investment in general fixed assets	-	-	-
Retained earnings - reserved	-	-	-
Fund balances:			
Reserved for inventory	46,385	-	-
Reserved for sewage system	-	1,870,677	-
Reserved for community project	-	2,393	-
Reserved for debt service	-	-	-
Reserved for firemen's pension	-	-	-
Unreserved - undesignated	<u>627,479</u>	<u>-</u>	<u>-</u>
Total equity and other credits	<u>\$ 673,864</u>	<u>\$ 1,873,070</u>	<u>\$ -</u>
Total liabilities, equity and other credits	<u>\$ 1,127,431</u>	<u>\$ 1,874,023</u>	<u>\$ 30,592</u>

See notes to financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Debt	June 30, 1998	1997
Enterprise	Non- Expendable Trust				
\$ -	\$ -	\$ -	\$ -	\$ 953	\$ -
-	-	-	-	243,412	396,936
-	-	-	-	29	-
-	-	-	-	150,663	30,000
-	-	-	-	59,167	64,884
-	11,586	-	-	11,586	11,586
-	-	-	-	-	425,322
-	-	-	-	30,592	-
-	-	-	-	296	296
-	-	-	-	-	50,000
-	-	-	300,000	300,000	-
-	-	-	6,930,000	6,930,000	7,220,000
-	-	-	584,280	584,280	693,032
-	-	-	230,910	230,910	173,144
<u>\$ -</u>	<u>\$ 509,218</u>	<u>\$ -</u>	<u>\$ 8,045,190</u>	<u>\$ 8,541,888</u>	<u>\$ 9,065,200</u>
\$ 776,757	\$ -	\$ -	\$ -	\$ 776,757	\$ 776,757
-	-	42,085,231	-	42,085,231	41,057,393
140,843	-	-	-	140,843	210,646
-	-	-	-	46,385	49,079
-	-	-	-	1,870,677	1,764,174
-	-	-	-	2,393	-
-	-	-	-	-	31,317
-	250,276	-	-	250,276	237,317
-	-	-	-	627,479	836,167
<u>\$ 917,600</u>	<u>\$ 250,276</u>	<u>\$ 42,085,231</u>	<u>\$ -</u>	<u>\$ 45,800,041</u>	<u>\$ 44,962,850</u>
<u>\$ 917,600</u>	<u>\$ 759,494</u>	<u>\$ 42,085,231</u>	<u>\$ 8,045,190</u>	<u>\$ 54,341,929</u>	<u>\$ 54,028,050</u>

CITY OF BASTROP, LOUISIANA

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

Year Ended June 30, 1998

With Comparative Totals for Year Ended June 30, 1997

	General	Special Revenue
Revenues:		
Taxes	\$ 6,245,543	\$ -
Licenses and permits	419,010	-
Intergovernmental	820,882	54,896
Fees, charges and commissions for services	214,374	582,634
Fines and forfeitures	180,668	-
Interest and miscellaneous	<u>114,645</u>	<u>79,624</u>
	<u>\$ 7,995,122</u>	<u>\$ 717,154</u>
Expenditures:		
Current:		
General government	\$ 2,009,617	\$ -
Public safety	3,562,086	-
Public works	1,759,660	54,920
Sanitation	856,441	52,765
Debt service:		
Principal	108,752	290,000
Interest and fiscal charges	46,108	212,990
Refunded	-	-
Capital outlay	<u>-</u>	<u>-</u>
	<u>\$ 8,342,664</u>	<u>\$ 610,675</u>
Excess (deficiency) of revenues over expenditures	<u>\$(347,542)</u>	<u>\$ 106,479</u>

		Totals (Memorandum Only)	
		Year Ended June 30,	
Debt Service	Capital Projects	1998	1997
\$ -	\$ -	\$ 6,245,543	\$ 6,182,920
-	-	419,010	418,497
-	265,549	1,141,327	935,770
-	-	797,008	795,129
-	-	180,668	156,169
<u>50,625</u>	<u>-</u>	<u>244,894</u>	<u>261,805</u>
\$ <u>50,625</u>	\$ <u>265,549</u>	\$ <u>9,028,450</u>	\$ <u>8,750,290</u>
\$ -	\$ -	\$ 2,009,617	\$ 1,978,033
-	-	3,562,086	3,623,078
-	-	1,814,580	1,618,093
-	-	909,206	904,689
50,000	-	448,752	427,755
1,350	-	260,448	274,153
30,592	-	30,592	-
<u>-</u>	<u>274,999</u>	<u>274,999</u>	<u>497,034</u>
\$ <u>81,942</u>	\$ <u>274,999</u>	\$ <u>9,310,280</u>	\$ <u>9,322,835</u>
\$ (<u>31,317</u>)	\$ (<u>9,450</u>)	\$ (<u>281,830</u>)	\$ (<u>572,545</u>)

(continued)

CITY OF BASTROP, LOUISIANA

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

(Continued)

Year Ended June 30, 1998

With Comparative Totals for Year Ended June 30, 1997

	General	Special Revenue
Other financing sources (uses):		
Operating transfers in (out)	\$(163,840)	\$ 2,417
Sale of fixed assets	-	-
Proceeds of long-term debt	<u>300,000</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 136,160</u>	<u>\$ 2,417</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$(211,382)	\$ 108,896
Fund balances - beginning	885,246	1,764,174
Prior period adjustment	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ 673,864</u>	<u>\$ 1,873,070</u>

See notes to financial statements.

Debt Service	Capital Projects	Totals (Memorandum Only) Year Ended June 30,	
		1998	1997
\$ -	\$ 9,450	\$ (151,973)	\$ (148,743)
-	-	-	14,624
-	-	300,000	396,145
<u>\$ -</u>	<u>\$ 9,450</u>	<u>\$ 148,027</u>	<u>\$ 262,026</u>
\$ (31,317)	\$ -	\$ (133,803)	\$ (310,519)
31,317	-	2,680,737	2,942,177
-	-	-	49,079
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,546,934</u>	<u>\$ 2,680,737</u>

CITY OF BASTROP, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE (SEWER USE FEE) FUNDS
Year Ended June 30, 1998

		<u>General</u>	
	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	\$ 6,408,363	\$ 6,245,543	\$(162,820)
Licenses and permits	426,075	419,010	(7,065)
Intergovernmental	795,251	820,882	25,631
Fee, charges and commissions for services	222,662	214,374	(8,288)
Fines and forfeitures	149,800	180,668	30,868
Interest and miscellaneous	<u>103,973</u>	<u>114,645</u>	<u>10,672</u>
	<u>\$ 8,106,124</u>	<u>\$ 7,995,122</u>	<u>\$(111,002)</u>
Expenditures:			
Current:			
General government	\$ 2,570,633	\$ 2,009,617	\$ 561,016
Public safety	3,548,466	3,562,086	(13,620)
Public works	1,956,745	1,759,660	197,085
Sanitation	834,500	856,441	(21,941)
Debt service:			
Principal	154,860	108,752	46,108
Interest and fiscal charges	<u>-</u>	<u>46,108</u>	<u>(46,108)</u>
	<u>\$ 9,065,204</u>	<u>\$ 8,342,664</u>	<u>\$ 722,540</u>
Excess (deficiency) of revenues over expenditures			
		<u>\$(959,080)</u>	<u>\$(347,542)</u>
			<u>\$ 611,538</u>

Special Revenue (Sewer Use Fee)

Budget	Actual	Variance - Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
525,357	582,634	57,277
-	-	-
<u>65,000</u>	<u>79,624</u>	<u>14,624</u>
<u>\$ 590,357</u>	<u>\$ 662,258</u>	<u>\$ 71,901</u>

\$ -	\$ -	\$ -
-	-	-
-	-	-
144,643	52,765	91,878
395,000	290,000	105,000
-	<u>212,990</u>	<u>(212,990)</u>
<u>\$ 539,643</u>	<u>\$ 555,755</u>	<u>\$ (16,112)</u>

\$ 50,714 \$ 106,503 \$ 55,789

(continued)

CITY OF BASTROP, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE (SEWER USE FEE) FUNDS (Continued)
Year Ended June 30, 1998

	Budget	General Actual	Variance - Favorable (Unfavorable)
Other financing sources (uses):			
Operating transfers in (out)	\$ (153,470)	\$ (163,840)	\$ (10,370)
Sale of fixed assets	14,500	-	(14,500)
Proceeds of long-term debt	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total other financing sources (uses)	\$ <u>161,030</u>	\$ <u>136,160</u>	\$ (<u>24,870</u>)
 Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	 \$ (798,050)	 \$ (211,382)	 \$ 586,668
 Fund balances - beginning	 <u>798,050</u>	 <u>885,246</u>	 <u>87,196</u>
 Fund balances - ending	 <u>\$ -</u>	 <u>\$ 673,864</u>	 <u>\$ 673,864</u>

See notes to financial statements.

Special Revenue (Sewer Use Fee)

Budget	Actual	Variance - Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 50,714	\$ 106,503	\$ 55,789
<u>-</u>	<u>1,764,174</u>	<u>1,764,174</u>
<u>\$ 50,714</u>	<u>\$ 1,870,677</u>	<u>\$ 1,819,963</u>

CITY OF BASTROP, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENSES/EXPENDITURES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCES -
ALL PROPRIETARY AND FIDUCIARY FUND TYPES

Year Ended June 30, 1998

With Comparative Totals for Year Ended June 30, 1997

	Proprietary Fund Type Enterprise	Fiduciary Fund Type Non-Expendable Trust
Operating revenues:		
Fees, charges and commissions for services	\$ 975	\$ -
Interest and miscellaneous	<u>7,500</u>	<u>13,190</u>
	<u>\$ 8,475</u>	<u>\$ 13,190</u>
Operating expenses:		
Depreciation	\$ 15,898	\$ -
Benefit payments	-	151,629
Other	<u>10,155</u>	<u>574</u>
	<u>\$ 26,053</u>	<u>\$ 152,203</u>
Operating income (loss)	<u>\$(17,578)</u>	<u>\$(139,013)</u>
Nonoperating revenue (expense):		
Interest	\$ 16,328	\$ -
Loss on sale of assets	<u>(68,552)</u>	<u>-</u>
	<u>\$(52,224)</u>	<u>\$ -</u>
Income (loss) before operating transfers	<u>\$(69,802)</u>	<u>\$(139,013)</u>
Operating transfers in	<u>-</u>	<u>151,973</u>
Net income (loss)	<u>\$(69,802)</u>	<u>\$ 12,960</u>
Retained earnings/fund balances - reserved - beginning	<u>210,645</u>	<u>237,316</u>
Retained earnings/fund balances - reserved - ending	<u>\$ 140,843</u>	<u>\$ 250,276</u>

See notes to financial statements.

Totals
(Memorandum Only)
Year Ended June 30,
1998 1997

\$ 975	\$ 6,750
20,690	12,022
\$ 21,665	\$ 18,772

\$ 15,898	\$ 15,679
151,629	148,443
10,729	10,329
\$ 178,256	\$ 174,451

\$ (156,591) \$ (155,679)

\$ 16,328	\$ 16,458
(68,552)	-
\$ (52,224)	\$ 16,458

\$ (208,815) \$ (139,221)

151,973	148,741
---------	---------

\$ (56,842) \$ 9,520

447,961	438,441
---------	---------

\$ 391,119	\$ 447,961
------------	------------

CITY OF BASTROP, LOUISIANA

COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY AND FIDUCIARY FUND TYPES

Year Ended June 30, 1998

With Comparative Totals for Year Ended June 30, 1997

	Proprietary Fund Type Enterprise	Fiduciary Fund Type Non-Expendable Trust
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$(17,578)	\$(139,013)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	15,898	-
Loss on sale of assets	(68,552)	-
(Increase) decrease in accrued interest receivable	-	-
(Increase) decrease in loans receivable - net	16,775	-
(Increase) decrease in net investment in direct financing lease	<u>9,313</u>	<u>-</u>
Net cash provided (used) by operating activities	\$(<u>44,144</u>)	\$(<u>139,013</u>)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	\$ 16,328	\$ -
Purchase of investments	<u>-</u>	<u>(12,994)</u>
Net cash flows provided (used) by investing activities	\$ <u>16,328</u>	\$(<u>12,994</u>)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	\$(13,778)	\$ -
Sale of fixed assets	<u>179,590</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	\$ <u>165,812</u>	\$ <u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	\$ <u>-</u>	\$ <u>151,973</u>
Net increase (decrease) in cash	\$ 137,996	\$(34)
Cash - beginning	<u>236,579</u>	<u>14,317</u>
Cash - ending	<u>\$ 374,575</u>	<u>\$ 14,283</u>
See notes to financial statements.		

Totals
(Memorandum Only)
Year Ended June 30,
1998 1997

\$(156,591) \$(155,679)

15,898	15,679
(68,552)	-
-	3,761
16,775	20,700

<u>9,313</u>	<u>12,366</u>
\$(<u>183,157</u>)	\$(<u>103,173</u>)

\$ 16,328	\$ 16,458
<u>(12,994)</u>	<u>(14,837)</u>
<u>\$ 3,334</u>	<u>\$ 1,621</u>

\$(13,778)	\$(10,865)
<u>179,590</u>	<u>-</u>

\$ 165,812 \$(10,865)

\$ 151,973 \$ 148,743

\$ 137,962 \$ 36,326

250,896 214,570

\$ 388,858 \$ 250,896

CITY OF BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 1998

Note 1. Organization and Summary of Significant Accounting Policies

City of Bastrop, Louisiana, (the "City") operates under a mayor-board of aldermen form of government in accordance with the provisions of the charter adopted July 3, 1952. Citizens elect the mayor at large and five council members by districts which are each compensated. The City is located in northeast Louisiana, its population is approximately 14,000 and it employs approximately 200 people.

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

Basis of Presentation:

The accompanying financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity:

As the municipal governing authority, for reporting purposes, the City is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (City), (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.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the City 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 municipality to impose its will on that organization and/or

NOTES TO FINANCIAL STATEMENTS

- b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

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

Fund Accounting:

The City 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 relating to certain government functions or activities.

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

Funds of the City are classified into three categories: governmental, proprietary and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental funds:

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

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

NOTES TO FINANCIAL STATEMENTS

Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund - accounts for transactions relating to resources retained and used for the payment of principal, interest and related costs on the long-term obligation recorded in the general long-term debt account group.

Capital Projects Fund - accounts for financial resources received and used for the acquisition, construction or improvement of capital facilities not reported in the other governmental funds.

Proprietary funds:

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. The proprietary fund is:

Enterprise Fund - accounts for operations (a) 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 that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds:

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. The fiduciary fund is:

Non-Expendable Trust Fund - accounted for in essentially the same manner as proprietary funds. The principal may not be expended.

NOTES TO FINANCIAL STATEMENTS

Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds.

The modified accrual basis of accounting recognizes revenues when both "measurable" and "available". Measurable means the amount can be determined and available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due. Transfers between funds that are not expected to be repaid (and any other financing source/use) are accounted for as other financing sources (uses) and are recorded when the transaction occurs.

Those major revenues susceptible to accrual are ad valorem, sales and gross receipts taxes, intergovernmental revenues and sewer use fees. Licenses and permits, charges for services (other than sewer use fees), fines and other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The proprietary fund and fiduciary fund are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheets. The proprietary fund and trust fund use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time the liabilities are incurred.

NOTES TO FINANCIAL STATEMENTS

Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General Fund and Special Revenue Fund (Sewer Use Fee Fund) on June 19, 1997. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The City Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Aldermen. On June 29, 1998, the Board of Aldermen adopted an amended budget for the General Fund, which amendments are reflected in the budget comparisons. All annual appropriations lapse at fiscal year end.

Grant periods may differ from the City's fiscal year; therefore, the City did not budget for grant monies received and expended by the Special Revenue Fund (Community Project Fund) since budgetary control is maintained on an individual grant basis.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash:

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

Pooled deposits:

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

NOTES TO FINANCIAL STATEMENTS

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

Uncollectible Allowance:

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

Inventory:

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

Interfund Receivables/Payables:

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

Fixed Assets:

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the General Fixed Assets Account Group. Public domain or infrastructures including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are capitalized. Interest costs incurred during construction are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or, if donated, assets are valued at their estimated fair value on the date of donation.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the fund net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged as an expense against operations. Depreciation has been calculated on the buildings and improvements classes of depreciable property using the straight line method over estimated useful lives of 30 years.

NOTES TO FINANCIAL STATEMENTS

Accumulated Compensated Absences:

The City's policy allows employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon use or separation from the City's employment. In governmental funds, the cost of vacation is recognized when actually paid to employees. A long-term liability has been recorded in the General Long-Term Debt Account Group representing the City's commitment to fund unpaid costs from future operations. Proprietary fund types recognize vacation in the period it is earned.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Long-Term Obligations:

Long-term obligations expected to be financed from governmental funds are reported in the General Long-Term Debt Account Group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due.

Long-term obligations expected to be financed from proprietary fund operations are accounted for in that fund.

Fund Equity:

Contributed capital is recorded in the proprietary fund when capital contributions are received from other funds and such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

Interfund Transactions:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

NOTES TO FINANCIAL STATEMENTS

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Revenue Recognition - Ad Valorem and Sales/Use Taxes:

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

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

Total Columns on Combined Statements - Overview:

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 cash flows 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.

Comparative Data:

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, presentation of prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Deposits

The following is a summary of cash and deposits at June 30, 1998:

Non-pooled deposits:	
Non-interest bearing demand deposits	\$ 50,448
Interest-bearing demand deposits	838,967
Time deposits	333,300
Petty cash	<u>1,900</u>
	\$ 1,224,615
Pooled deposits	<u>2,130,772</u>
	<u>\$ 3,355,387</u>

Under state law, the deposits (or the resulting bank balances) (excluding petty cash and pooled deposits) 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 jointly in the name of the pledging fiscal agent bank and the City in a holding or custodial bank that is mutually acceptable to both parties.

Pooled deposits held at June 30, 1998, include \$2,130,772 in Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool. In accordance with GASB, the investment in LAMP at June 30, 1998, is not categorized in the three risk categories provided by GASB because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., which corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana and the Society of Louisiana Certified Public Accountants. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

NOTES TO FINANCIAL STATEMENTS

At June 30, 1998, the City had \$1,429,319 in deposits (collected bank balances) (excluding petty cash and pooled deposits). These deposits were secured from risk by \$169,371 (GASB Category 1) of federal deposit insurance and \$1,259,948 (GASB Category 2) of pledged securities held by the City or its agent in the City's name.

There were no repurchase or reverse repurchase agreements at June 30, 1998.

Note 3. Receivables and Due From Other Governments

The following is a summary of receivables and due from other governments as of June 30, 1998:

	General Fund	Special Revenue Fund	Totals
Taxes:			
Sales/use	\$ 21,234	\$ -	\$ 21,234
Franchise	39,809	-	39,809
Intergovernmental:			
Federal	4,861	3,346	8,207
State	50,432	-	50,432
Local	28,070	-	28,070
User fees:			
Sewer	-	107,373	107,373
	\$ 144,406	\$ 110,719	\$ 255,125

Note 4. Taxes

For the year ended June 30, 1998, ad valorem taxes of 40.7 mills were levied on property with assessed valuations totaling \$58,419,270 as follows:

	Authorized Millage	Levied Millage	Expiration Date
General corporate purposes	9.81	9.81	Perpetual
Police	6.80	6.80	2001
Street improvements	6.80	6.80	2001
Sewer maintenance	6.80	6.80	2001
Fire (#1)	3.40	3.40	2001
Fire (#2)	3.23	3.23	2003
Recreation	2.56	2.56	2003
Cemetery	.65	.65	2003
Building maintenance	.65	.65	2003

NOTES TO FINANCIAL STATEMENTS

The following are the principal ad valorem taxpayers for the City:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
International Paper Company	\$ 25,559,400	43.75%
Peoples Water Service Co. of Bastrop, Inc.	1,326,200	2.27%
Hibernia National Bank	1,246,590	2.13%
Wal-Mart Stores, Inc.	813,310	1.39%
Banc One Ads, Inc.	767,720	1.31%
Liquid Packaging Division	665,170	1.14%
Regency Motors of Bastrop, Inc.	544,620	.93%
West Carroll National Bank	348,470	.60%
Ditto Apparel of California	271,410	.46%
Keating Fibre	247,660	.42%

Total ad valorem taxes levied were \$2,377,671. There were no uncollected ad valorem taxes at June 30, 1998.

For the year ended June 30, 1998, sales taxes of 2% were levied for any and all lawful purposes as follows:

<u>Rate</u>	<u>Expiration Date</u>
½%	June 1, 2000
½%	August 1, 1999
1%	August 1, 1998

The sales tax which expired on August 1, 1998, and 1999, were each approved for an additional ten years by the voters at a special election held in the City on January 17, 1998.

Note 5. Restricted Cash and Liabilities Payable From Same

Restricted cash of \$485 of the General Fund represents monies collected from properties bought at tax sales for nonpayment of taxes by original owners and interest earned thereon. Subsequent to these sales, the original owners redeemed the properties but those buying the properties at tax sales have not been located to refund their monies. The remaining restricted cash of the General Fund, in the amount of \$12, represents the unexpended funds of a grant award which can only be expended for allowable costs under the program.

Restricted cash of \$310,199 of the Special Revenue Fund consists of funds required by the sewer revenue bond loan and pledge agreement to be maintained and its use is restricted for specific purposes.

NOTES TO FINANCIAL STATEMENTS

Note 6. Loans Receivable - Net

Lendee	Original Note	Monthly Payment	Term in Months	Interest Rate	Balance at June 30, 1998
Elizabeth Johnson and Eddie Robinson, Jr.	\$ 15,000	\$ 400	42	6.00%	\$ 421
Phillip Atlas	5,000	97	60	6.00%	1,571
Mountain Valley Water of Northeast Louisiana, Inc.	20,000	387	60	6.00%	9,420
Thomas D. and Katherine E. Hankins	15,000	290	60	6.00%	8,020
Donald and Teresa Britton	10,000	193	60	6.00%	6,194
Kimberly Lynn	250	43	6	8.00%	<u>250</u>
					<u>\$ 25,876</u>

No payments have been received as of June 30, 1998, on the \$250 loan made in June, 1994, which were scheduled to begin August 5, 1994.

Note 7. Net Investment in Direct Financing Lease

The City is leasing a commercial trucking facility to Jarrell Transport, Inc. The lease is classified as a direct financing lease and will expire over the next 7 years.

Total minimum lease payments to be received for years ending June 30 are as follows:

1999	\$ 26,826
2000	18,936
2001	18,936
2002	18,936
2003	18,936
Thereafter	<u>28,405</u>
	\$130,975
Less unearned revenue	<u>23,993</u>
	<u>\$106,982</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Changes in Fixed Assets

A summary of the changes in the General Fixed Assets Account Group is as follows:

	Balance <u>July 1, 1997</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 1998</u>
Land and buildings	\$ 6,696,844	\$ 347,601	\$ 30,313	\$ 7,014,132
Improvements other than buildings	28,397,771	604,694	-	29,002,465
Equipment and vehicles	<u>5,962,778</u>	<u>105,856</u>	<u>-</u>	<u>6,068,634</u>
 Totals	 <u>\$ 41,057,393</u>	 <u>\$ 1,058,151</u>	 <u>\$ 30,313</u>	 <u>\$ 42,085,231</u>

A summary of the Enterprise Fund fixed assets and depreciation at June 30, 1998, is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Current Depreciation</u>
Buildings	\$ 124,242	\$ 36,260	\$ 87,982	\$ 4,141
Improvements other than buildings	<u>351,564</u>	<u>29,379</u>	<u>322,185</u>	<u>11,757</u>
 Totals	 <u>\$ 475,806</u>	 <u>\$ 65,639</u>	 <u>\$ 410,167</u>	 <u>\$ 15,898</u>

Note 9. Deferred Compensation Plan

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

As amended, effective January 1, 1997, all assets of the plan, including all deferred amounts, property and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property or rights, are held in a qualified trust, custodial account or annuity contract for the exclusive benefit of the participants and beneficiaries. The assets are not subject to the claims of the City's creditors nor can they be used by the City for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

NOTES TO FINANCIAL STATEMENTS

The deferred compensation investments and related liability are not recorded in the current year financial statements as they have been previously. For the year ended June 30, 1998, the City implemented the reporting requirements of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* upon adoption of the plan amendment discussed above.

Investments are managed by the plan's trustee under a number of investment options. The choice of the investment option(s) is made by the individual employee.

Note 10. Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 1998:

	General Obligation Bonds	Certificates of Indebtedness	Sewer Revenue Bonds	Pension Liabilities	Compen- sated Absences	Totals
Long-term debt payable - July 1, 1997	\$ 50,000	\$ -	\$ 7,220,000	\$ 693,032	\$ 173,144	\$ 8,136,176
Additions	-	300,000	-	-	57,766	357,766
Retirements	<u>50,000</u>	<u>-</u>	<u>290,000</u>	<u>108,752</u>	<u>-</u>	<u>448,752</u>
Long-term debt payable - June 30, 1998	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 6,930,000</u>	<u>\$ 584,280</u>	<u>\$ 230,910</u>	<u>\$ 8,045,190</u>

The certificates of indebtedness and bonds are comprised of the following individual issues:

Certificates of Indebtedness Series 1997 - dated December 1, 1997, bear interest at 4.75% per annum, interest due May and November of each year, principal due November of each year.

The City issued the certificates of indebtedness to a local bank to be used for the purpose of acquiring an existing building for use as an annex to City Hall. The certificates of indebtedness and interest thereon will be repaid from a pledge and dedication of the excess annual revenues of the City above statutory, necessary and usual charges in each of the fiscal years during which the certificates are outstanding.

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

NOTES TO FINANCIAL STATEMENTS

The interest and principal payments due July 1 of each year are being reported and budgeted by the City in the preceding fiscal year when payment documents are actually dated.

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

Compensated Absences - At June 30, 1998, employees of the City had accumulated and vested \$230,910 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

Conduit Debt Obligations - In April, 1996, the City adopted a resolution approving the issuance of \$2,000,000 of *Environmental Improvement Revenue bonds for International Paper Company* by the Industrial Development Board of City of Bastrop, Louisiana, Inc. The bond instrument bears the name of the City but the City has not guaranteed payment of these bonds in the event of default by the issuing authority.

The annual requirements to amortize the certificates of indebtedness and the sewer revenue bonds as of June 30, 1998, including interest payments of \$1,822,575 are as follows:

Year Ending June 30,	Certificates of Indebtedness	Sewer Revenue Bonds	Totals
1999	\$ 37,680	\$ 469,785	\$ 507,465
2000	37,516	467,435	504,951
2001	37,305	469,962	507,267
2002	38,023	467,245	505,268
2003	37,669	474,405	512,074
Thereafter	<u>188,757</u>	<u>6,326,793</u>	<u>6,515,550</u>
	<u>\$ 376,950</u>	<u>\$ 8,675,625</u>	<u>\$ 9,052,575</u>

Note 11. Pension Plan and Other Pension Liabilities

The City maintains one pension plan, the Bastrop Firemen's Pension and Relief Fund. It is accounted for as the Firemen's Pension and Relief Trust Fund, and covers those firemen who were already receiving benefits before December, 1981. There were no current contributions to the plan.

NOTES TO FINANCIAL STATEMENTS

In December, 1981, active City firemen were accepted into the Firefighters' Retirement System of Louisiana. Terms of the agreement require the City to pay \$928,236 plus interest of \$1,169,052 in 30 annual installments of \$69,910.

The liability described in the preceding paragraph has been recorded in the General Long-Term Debt Account Group.

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

Municipal Employees' Retirement System of Louisiana (System):

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 are members of Plan A.

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504)925-4810.

NOTES TO FINANCIAL STATEMENTS

Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 5.75% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System under Plan A for the years ended June 30, 1998, 1997 and 1996, were \$82,151, \$91,199 and \$111,665, respectively, equal to the required contributions for each year.

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 20 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% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

NOTES TO FINANCIAL STATEMENTS

Funding Policy:

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ended June 30, 1998, 1997, and 1996, were \$95,284, \$92,408 and \$81,642, respectively, equal to the required contributions for each year.

Firefighters' Retirement System of Louisiana (System):

Plan Description:

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, P. O. Box 94095, Baton Rouge, Louisiana 70804, or by calling (504)925-4060.

NOTES TO FINANCIAL STATEMENTS

Funding Policy:

Plan members are required by state statute to contribute 8.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ended June 30, 1998, 1997, and 1996, were \$88,981, \$85,267 and \$79,588, respectively, equal to the required contributions for each year.

Note 12. Enterprise Fund Retained Earnings - Reserved

Repayment of the loans made to JRA Apparel Manufacturing, Ltd. and assigns, Mountain Valley Water of Northeast Louisiana, Inc. and individual proprietors, and interest collected thereon, addressed in Note 6, are restricted to other loans and expenditures related to economic development and the creation of jobs.

Note 13. Fund Balances - Reserved

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

Revenues collected by the Special Revenue Fund (Sewer Use Fee Fund) are dedicated for repayment of funds borrowed for acquisition, construction and improvements to the sewage and wastewater collection, treatment and disposal systems.

Grant funds of the Special Revenue Fund (Community Project Fund) are reserved only for expenditures under the grant contract.

Note 14. On-Behalf Payments for Salaries

For the year ended June 30, 1998, the City recognized revenue and expenditures of \$3,559, \$161,838 and \$137,958 in salary supplements from the State of Louisiana paid directly to employees of the administrative, police and fire departments, respectively.

Note 15. Agreement for Operations, Maintenance and Management Services

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

NOTES TO FINANCIAL STATEMENTS

PSG's compensation under the agreement consists of an annual fee which is negotiated each year with one-twelfth of the annual fee due and payable on the first of the month for each month that services are provided.

Note 16. Expiration of Franchise, Right and Privilege

On June 12, 1997, the 25-year franchise, right and privilege between the City and the local water company expired. As of the date of this report, no new franchise agreement has been reached as the City's management is studying its right and option to purchase the water system.

Note 17. Contingencies and Risk Management

The City has been named as the defendant in four lawsuits arising principally in the normal course of operations. The City's legal counsel is of the opinion that the outcome of these lawsuits will not have a significant adverse effect on the accompanying financial statements. Accordingly, no provision for losses has been recorded for any pending lawsuits.

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

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 1998, may be impaired. In the opinion of the City's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

For Job Training Partnership Act and Aging Programs, the City contracts with other governments or local agencies to perform the specific services set forth in the grant agreements.

NOTES TO FINANCIAL STATEMENTS

Note 18. Subsequent Events

The City was awarded a Community Development Block Grant from the State of Louisiana Division of Administration in July, 1998, for \$423,000 to be used for street improvements.

As of the date of this report, the City is negotiating a revised contract with Bastrop Area Fire Protection District No. 2. The proposed revisions include a 3% annual increase, the District paying for all fuel, oil and repairs applicable to its trucks and paying a one-time amount for previous costs incurred by the City on the District's behalf.

COMBINING, INDIVIDUAL
FUND AND ACCOUNT GROUP
FINANCIAL STATEMENTS

GENERAL FUND

Accounts for all financial resources, except those required to be accounted for in other funds.

CITY OF BASTROP, LOUISIANA

GENERAL FUND

BALANCE SHEETS
June 30, 1998 and 1997

	<u>June 30,</u>	
	<u>1998</u>	<u>1997</u>
ASSETS		
Cash	\$ 397,654	\$ 182,828
Pooled deposits	526,903	720,499
Taxes receivable	61,043	142,064
Inventory	46,385	49,079
Due from other governments	83,363	155,669
Due from other funds	11,586	11,586
Restricted asset - cash	<u>497</u>	<u>1,665</u>
	<u>\$ 1,127,431</u>	<u>\$ 1,263,390</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 243,412	\$ 282,964
Payroll withholdings	29	-
Deferred revenue	150,663	30,000
Accrued salaries	59,167	64,884
Payable from restricted asset	<u>296</u>	<u>296</u>
	<u>\$ 453,567</u>	<u>\$ 378,144</u>
Fund balance:		
Reserved for inventory	\$ 46,385	\$ 49,079
Unreserved - undesignated	<u>627,479</u>	<u>836,167</u>
	<u>\$ 673,864</u>	<u>\$ 885,246</u>
Total liabilities and fund balance	<u>\$ 1,127,431</u>	<u>\$ 1,263,390</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	Year Ended June 30, 1998			Year Ended
	Budget	Actual	Variance - Favorable (Unfavorable)	June 30, 1997
Revenues:				
Taxes	\$ 6,408,363	\$ 6,245,543	\$ (162,820)	\$ 6,182,920
Licenses and permits	426,075	419,010	(7,065)	418,497
Intergovernmental	795,251	820,882	25,631	821,798
Fees, charges and commissions for services	222,662	214,374	(8,288)	221,149
Fines and forfeitures	149,800	180,668	30,868	156,169
Interest and miscellaneous	<u>103,973</u>	<u>114,645</u>	<u>10,672</u>	<u>123,607</u>
	<u>\$ 8,106,124</u>	<u>\$ 7,995,122</u>	<u>\$ (111,002)</u>	<u>\$ 7,924,140</u>
Expenditures:				
Current:				
General government	\$ 2,570,633	\$ 2,009,617	\$ 561,016	\$ 1,978,033
Public safety	3,548,466	3,562,086	(13,620)	3,623,078
Public works	1,956,745	1,759,660	197,085	1,618,093
Sanitation	834,500	856,441	(21,941)	796,792
Debt service:				
Principal	154,860	108,752	46,108	102,755
Interest and fiscal charges	<u>-</u>	<u>46,108</u>	<u>(46,108)</u>	<u>52,105</u>
	<u>\$ 9,065,204</u>	<u>\$ 8,342,664</u>	<u>\$ 722,540</u>	<u>\$ 8,170,856</u>
Excess (deficiency) of revenues over expenditures				
	<u>\$ (959,080)</u>	<u>\$ (347,542)</u>	<u>\$ 611,538</u>	<u>\$ (246,716)</u>

(continued)

CITY OF BASTROP, LOUISIANA

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)

Year Ended June 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	<u>Year Ended June 30, 1998</u>			<u>Year Ended</u> <u>June 30, 1997</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Other financing sources:				
Operating transfers in (out)	\$(153,470)	\$(163,840)	\$(10,370)	\$(170,793)
Sale of fixed assets	14,500	-	(14,500)	14,624
Proceeds of long-term debt	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 161,030</u>	<u>\$ 136,160</u>	<u>\$(24,870)</u>	<u>\$(156,169)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$(798,050)	\$(211,382)	\$ 586,668	\$(402,885)
Fund balance - beginning	798,050	885,246	87,196	1,239,052
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,079</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 673,864</u>	<u>\$ 673,864</u>	<u>\$ 885,246</u>

See notes to financial statements.

SPECIAL REVENUE FUNDS

Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

Community Project Fund - accounts for grant funds available for a specific plan of action as detailed in the grant budget.

CITY OF BASTROP, LOUISIANA
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
June 30, 1998
With Comparative Totals for June 30, 1997

	Sewer Use Fee Fund	Community Project Fund	June 30,	
ASSETS			1998	1997
Cash	\$ 96,815	\$ -	\$ 96,815	\$ 244,665
Pooled deposits	1,356,290	-	1,356,290	1,255,126
Accounts receivable	107,373	-	107,373	84,996
Due from other governments	-	3,346	3,346	-
Restricted asset - cash	<u>310,199</u>	<u>-</u>	<u>310,199</u>	<u>179,387</u>
	<u>\$ 1,870,677</u>	<u>\$ 3,346</u>	<u>\$ 1,874,023</u>	<u>\$ 1,764,174</u>
LIABILITIES AND FUND BALANCES				
Bank overdraft	\$ -	\$ 953	\$ 953	\$ -
Fund balances - reserved	<u>1,870,677</u>	<u>2,393</u>	<u>1,873,070</u>	<u>1,764,174</u>
Total liabilities and fund balances	<u>\$ 1,870,677</u>	<u>\$ 3,346</u>	<u>\$ 1,874,023</u>	<u>\$ 1,764,174</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

SPECIAL REVENUE FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SEWER USE FEE FUND

Year Ended June 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	Year Ended June 30, 1998			Year Ended
	Budget	Actual	Variance - Favorable (Unfavorable)	June 30, 1997
Revenues:				
Fees, charges and commissions for services	\$ 525,357	\$ 582,634	\$ 57,277	\$ 573,980
Interest and miscellaneous	<u>65,000</u>	<u>79,624</u>	<u>14,624</u>	<u>88,609</u>
	<u>\$ 590,357</u>	<u>\$ 662,258</u>	<u>\$ 71,901</u>	<u>\$ 662,589</u>
Expenditures:				
Current:				
Salaries	\$ 53,400	\$ 20,631	\$ 32,769	\$ 54,547
Payroll taxes and retirement	7,157	2,601	4,556	6,941
Maintenance and supplies	25,000	12,417	12,583	24,922
Office	20,000	13,993	6,007	12,482
Insurance	7,586	1,989	5,597	7,879
Other	11,500	1,134	10,366	1,126
Debt service:				
Principal	395,000	290,000	105,000	280,000
Interest and fiscal charges	-	212,990	(212,990)	218,032
Capital outlay	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>361,012</u>
	<u>\$ 539,643</u>	<u>\$ 555,755</u>	<u>\$ (16,112)</u>	<u>\$ 966,941</u>

(continued)

CITY OF BASTROP, LOUISIANA

SPECIAL REVENUE FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SEWER USE FEE FUND (Continued)

Year Ended June 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	<u>Year Ended June 30, 1998</u>			<u>Year Ended</u> <u>June 30, 1997</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Excess (deficiency) of revenues over expenditures	\$ 50,714	\$ 106,503	\$ 55,789	\$ (304,352)
Other financing source: Proceeds of long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,145</u>
Excess of revenues and other financing source over expenditures	\$ 50,714	\$ 106,503	\$ 55,789	\$ 91,793
Fund balance - reserved - beginning	<u>-</u>	<u>1,764,174</u>	<u>1,764,174</u>	<u>1,672,381</u>
Fund balance - reserved - ending	<u>\$ 50,714</u>	<u>\$ 1,870,677</u>	<u>\$ 1,819,963</u>	<u>\$ 1,764,174</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
COMMUNITY PROJECT FUND
Year Ended June 30, 1998

Revenues:	
Intergovernmental	\$ <u>54,896</u>
Expenditures:	
Current:	
Salaries	\$ 9,266
Maintenance and supplies	6,882
Utilities	108
Consultants/contract services	7,604
Travel	1,551
Other	872
Capital outlay	<u>28,637</u>
	\$ <u>54,920</u>
Excess (deficiency) of revenues over expenditures	\$ (24)
Other financing source:	
Operating transfers in	<u>2,417</u>
Excess of revenues and other financing source over expenditures	\$ 2,393
Fund balance - reserved - beginning	<u>-</u>
Fund balance - reserved - ending	<u>\$ 2,393</u>

See notes to financial statements.

DEBT SERVICE FUND

Accounts for transactions relating to resources retained and used for the payment of principal, interest and related costs on long-term debt obligations.

CITY OF BASTROP, LOUISIANA

DEBT SERVICE FUND

BALANCE SHEETS
June 30, 1998 and 1997

	June 30,	
	1998	1997
ASSETS		
Cash	<u>\$ 30,592</u>	<u>\$ 31,317</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Refund due	\$ 30,592	\$ -
Fund balance:		
Reserved for debt service	<u>-</u>	<u>31,317</u>
Total liabilities and fund balance	<u>\$ 30,592</u>	<u>\$ 31,317</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

DEBT SERVICE FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Years Ended June 30, 1998 and 1997

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
Revenues:		
Miscellaneous:		
Rents	\$ 50,000	\$ 48,815
Interest	<u>625</u>	<u>774</u>
	<u>\$ 50,625</u>	<u>\$ 49,589</u>
Expenditures:		
Debt service:		
Principal	\$ 50,000	\$ 45,000
Interest and fiscal charges	1,350	4,016
Refunded	<u>30,592</u>	<u>-</u>
	<u>\$ 81,942</u>	<u>\$ 49,016</u>
Excess (deficiency) of revenues over expenditures	\$(31,317)	\$ 573
Fund balance - reserved - beginning	<u>31,317</u>	<u>30,744</u>
Fund balance - reserved - ending	<u>\$ -</u>	<u>\$ 31,317</u>

See notes to financial statements.

CAPITAL PROJECTS FUND

Accounts for financial resources received and used for the acquisition, construction or improvement of capital facilities.

Community Development Block Grant Fund - accounts for street overlays financed through the State of Louisiana and local funds of the City.

CITY OF BASTROP, LOUISIANA

CAPITAL PROJECTS FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Years Ended June 30, 1998 and 1997

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
Revenues:		
Intergovernmental	\$ 265,549	\$ 113,972
Expenditures:		
Capital outlay	<u>274,999</u>	<u>136,022</u>
Excess (deficiency) of revenues over expenditures	\$(9,450)	\$(22,050)
Other financing source:		
Operating transfers in	<u>9,450</u>	<u>22,050</u>
Excess of revenues and other financing source over expenditures	\$ -	\$ -
Fund balance - reserved - beginning	<u>-</u>	<u>-</u>
Fund balance - reserved - ending	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

ENTERPRISE FUND

Accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing good 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 that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes

Revolving Loan Fund - accounts for low-interest lending to qualified applicants and leasing of property, all of which must be related to economic development and the creation of jobs.

CITY OF BASTROP, LOUISIANA

ENTERPRISE FUND

BALANCE SHEETS
June 30, 1998 and 1997

	June 30,	
	1998	1997
ASSETS		
Current assets:		
Cash	\$ 374,575	\$ 236,579
Current portion of loans receivable	15,418	20,247
Current portion of net investment in direct financing lease	<u>35,192</u>	<u>51,130</u>
Total current assets	<u>\$ 425,185</u>	<u>\$ 307,956</u>
Property and equipment:		
Buildings	\$ 124,242	\$ 290,093
Improvements other than buildings	351,564	351,564
Less accumulated depreciation	<u>65,639</u>	<u>49,779</u>
	<u>\$ 410,167</u>	<u>\$ 591,878</u>
Other assets:		
Loans receivable - net of current portion	\$ 10,458	\$ 22,404
Net investment in direct financing lease - net of current portion	<u>71,790</u>	<u>65,165</u>
	<u>\$ 82,248</u>	<u>\$ 87,569</u>
	<u>\$ 917,600</u>	<u>\$ 987,403</u>
EQUITY		
Contributed capital	\$ 776,757	\$ 776,757
Retained earnings - reserved	<u>140,843</u>	<u>210,646</u>
	<u>\$ 917,600</u>	<u>\$ 987,403</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

ENTERPRISE FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Years Ended June 30, 1998 and 1997

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
Operating revenues:		
Fees, charges and commissions for services	\$ 975	\$ 6,750
Miscellaneous	<u>7,500</u>	<u>-</u>
	<u>\$ 8,475</u>	<u>\$ 6,750</u>
Operating expenses:		
Depreciation	\$ 15,898	\$ 15,679
Other	<u>10,155</u>	<u>10,020</u>
	<u>\$ 26,053</u>	<u>\$ 25,699</u>
Operating income (loss)	<u>\$(17,578)</u>	<u>\$(18,949)</u>
Nonoperating revenue (expense):		
Interest	\$ 16,328	\$ 16,458
Loss on sale of assets	<u>(68,552)</u>	<u>-</u>
	<u>\$(52,224)</u>	<u>\$ 16,458</u>
Net income (loss)	<u>\$(69,802)</u>	<u>\$(2,491)</u>
Retained earnings - reserved - beginning	<u>210,645</u>	<u>213,137</u>
Retained earnings - reserved - ending	<u>\$ 140,843</u>	<u>\$ 210,646</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

ENTERPRISE FUND

STATEMENTS OF CASH FLOWS
Years Ended June 30, 1998 and 1997

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$(17,578)	\$(18,949)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	15,898	15,679
Loss on sale of assets	(68,552)	-
(Increase) decrease in loans receivable - net	16,775	20,700
(Increase) decrease in net investment in direct financing lease	<u>9,313</u>	<u>12,366</u>
Net cash provided (used) by operating activities	\$(<u>44,144</u>)	\$(<u>29,796</u>)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>\$ 16,328</u>	<u>\$ 16,458</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	\$(13,778)	\$(10,865)
Sale of fixed assets	<u>179,590</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>\$ 165,812</u>	\$(<u>10,865</u>)
Net increase in cash	\$ 137,996	\$ 35,389
Cash - beginning	<u>236,579</u>	<u>201,190</u>
Cash - ending	<u>\$ 374,575</u>	<u>\$ 236,579</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

FIDUCIARY FUND

BALANCE SHEETS
June 30, 1998 and 1997

	June 30,	
ASSETS	1998	1997
Cash	\$ 14,283	\$ 14,317
Pooled deposits	247,579	234,586
Investments	<u>-</u>	<u>425,322</u>
	<u>\$ 261,862</u>	<u>\$ 674,225</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to other funds	\$ 11,586	\$ 11,586
Deferred compensation benefits	<u>-</u>	<u>425,322</u>
	\$ 11,586	\$ 436,908
Fund balance - reserved	<u>250,276</u>	<u>237,317</u>
Total liabilities and fund balance	<u>\$ 261,862</u>	<u>\$ 674,225</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

FIDUCIARY FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
Years Ended June 30, 1998 and 1997

	<u>Year Ended June 30,</u>	
	1998	1997
Operating revenues:		
Interest	\$ <u>13,190</u>	\$ <u>12,022</u>
Operating expenses:		
Benefit payments	\$ 151,629	\$ 148,443
Other	<u>574</u>	<u>309</u>
	\$ <u>152,203</u>	\$ <u>148,752</u>
Income (loss) before operating transfers	\$(139,013)	\$(136,730)
Operating transfers in	<u>151,973</u>	<u>148,743</u>
Net income	\$ 12,960	\$ 12,013
Fund balance - reserved - beginning	<u>237,316</u>	<u>225,304</u>
Fund balance - reserved - ending	\$ <u>250,276</u>	\$ <u>237,317</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

FIDUCIARY FUND

STATEMENTS OF CASH FLOWS
Years Ended June 30, 1997 and 1996

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$(139,013)	\$(136,730)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
(Increase) decrease in accrued interest receivable	<u> -</u>	<u> 3,761</u>
Net cash provided (used) by operating activities	\$(<u>139,013</u>)	\$(<u>132,969</u>)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	\$(<u>12,994</u>)	\$(<u>14,837</u>)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	<u>\$ 151,973</u>	<u>\$ 148,743</u>
Net increase (decrease) in cash	\$(34)	\$ 937
Cash - beginning	<u> 14,317</u>	<u> 13,380</u>
Cash - ending	<u>\$ 14,283</u>	<u>\$ 14,317</u>

See notes to financial statements.

GENERAL FIXED ASSETS ACCOUNT GROUP

Accounts for fixed assets used in governmental fund operations for control purposes.

CITY OF BASTROP, LOUISIANA

STATEMENT OF GENERAL FIXED ASSETS BY SOURCE
June 30, 1998

GENERAL FIXED ASSETS

Land and buildings	\$ 7,014,132
Improvements other than buildings	29,002,465
Equipment and vehicles	<u>6,068,634</u>
	<u>\$ 42,085,231</u>

INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE

General revenues	\$ 20,234,488
Federal grants	12,745,078
Other sources	4,409
Property acquired prior to July 1, 1975*	<u>9,101,256</u>
	<u>\$ 42,085,231</u>

*Prior to July 1, 1975, records were not maintained indicating the source from which general fixed assets were acquired.

See notes to financial statements.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

Accounts for long-term liabilities to be financed from governmental funds.

CITY OF BASTROP, LOUISIANA

STATEMENT OF GENERAL LONG-TERM DEBT
June 30, 1998

AMOUNT TO BE PROVIDED FOR THE
PAYMENT OF GENERAL LONG-TERM DEBT

Certificates of indebtedness	\$ 300,000
Sewer revenue bonds payable	6,930,000
Pension liabilities	584,280
Compensated absences	<u>230,910</u>
	<u>\$ 8,045,190</u>

GENERAL LONG-TERM DEBT PAYABLE

Certificates of indebtedness payable	\$ 300,000
Sewer revenue bonds payable	6,930,000
Pension liabilities	584,280
Compensated absences	<u>230,910</u>
	<u>\$ 8,045,190</u>

See notes to financial statements.

SUPPLEMENTARY DATA

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND REVENUES -
BUDGET AND ACTUAL

Year Ended June 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	Year Ended June 30, 1998			Year Ended June 30, 1997
	Budget	Actual	Variance - Favorable (Unfavorable)	Actual
Taxes:				
Ad valorem	\$ 2,455,555	\$ 2,376,336	\$ (79,219)	\$ 2,399,970
Sales	3,709,608	3,670,850	(38,758)	3,545,806
Gross receipts	236,200	196,956	(39,244)	231,149
Costs and interest	<u>7,000</u>	<u>1,401</u>	<u>(5,599)</u>	<u>5,995</u>
	<u>\$ 6,408,363</u>	<u>\$ 6,245,543</u>	<u>\$ (162,820)</u>	<u>\$ 6,182,920</u>
Licenses and permits:				
Business licenses	\$ 200,055	\$ 205,450	\$ 5,395	\$ 197,617
Insurance licenses	195,000	177,199	(17,881)	190,217
Building permits	7,000	10,543	3,543	6,772
Beer and liquor permits	15,000	15,295	295	14,505
Other permits	<u>9,020</u>	<u>10,603</u>	<u>1,583</u>	<u>9,386</u>
	<u>\$ 426,075</u>	<u>\$ 419,010</u>	<u>\$ (7,065)</u>	<u>\$ 418,497</u>
Intergovernmental:				
Tobacco tax	\$ 69,837	\$ 67,837	\$ (2,000)	\$ 67,837
Fire insurance	258,344	258,311	(33)	250,808
Grants	46,000	47,747	1,747	156,691
Supplemental pay	253,544	303,356	49,812	243,094
Other	<u>167,526</u>	<u>143,631</u>	<u>(23,895)</u>	<u>103,368</u>
	<u>\$ 795,251</u>	<u>\$ 820,882</u>	<u>\$ 25,631</u>	<u>\$ 821,798</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND REVENUES -
BUDGET AND ACTUAL (Continued)

Year Ended June 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	Year Ended June 30, 1998			Year Ended June 30, 1997
	Budget	Actual	Variance - Favorable (Unfavorable)	Actual
Fees, charges and commissions for services:				
Cemetery lot sales	\$ 35,000	\$ 40,976	\$ 5,976	\$ 33,999
City court	26,067	24,482	(1,585)	24,482
Recreation fees	24,000	21,180	(2,820)	17,084
Sewer fees	51,000	47,761	(3,239)	51,916
Jail use	63,000	52,780	(10,220)	72,890
Municipal center	17,500	20,039	2,539	14,592
Other charges	6,095	7,156	1,061	6,186
	<u>\$ 222,662</u>	<u>\$ 214,374</u>	<u>\$(8,288)</u>	<u>\$ 221,149</u>
Fines and forfeitures:				
Court and parking	\$ 149,800	\$ 180,668	\$ 30,868	\$ 156,169
Interest and miscellaneous:				
Interest	\$ 43,000	\$ 32,111	\$(10,889)	\$ 43,545
Rents	9,200	15,883	6,683	9,143
Other	51,773	66,651	14,878	70,919
	<u>\$ 103,973</u>	<u>\$ 114,645</u>	<u>\$ 10,672</u>	<u>\$ 123,607</u>
Total general fund revenues	<u>\$ 8,106,124</u>	<u>\$ 7,995,122</u>	<u>\$(111,002)</u>	<u>\$ 7,924,140</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL

Year Ended June 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	Year Ended June 30, 1998			Year Ended June 30, 1997
	Budget	Actual	Variance - Favorable (Unfavorable)	Actual
General government:				
Salaries	\$ 685,056	\$ 626,928	\$ 58,128	\$ 645,444
Payroll taxes and retirement	95,119	88,850	6,269	96,390
Street and traffic lights	180,000	157,705	22,295	163,925
Utilities and telephone	134,600	137,200	(2,600)	139,332
Office	19,342	16,127	3,215	17,315
Vehicle	9,950	5,056	4,894	7,759
Maintenance and supplies	37,650	33,774	3,876	38,111
Insurance	586,458	519,914	66,544	584,139
Travel	26,000	25,838	162	29,936
Airport	19,000	19,787	(787)	19,945
Other	198,208	126,127	72,081	158,880
Capital outlay	<u>579,250</u>	<u>252,311</u>	<u>326,939</u>	<u>76,857</u>
Total general government	<u>\$ 2,570,633</u>	<u>\$ 2,009,617</u>	<u>\$ 561,016</u>	<u>\$ 1,978,033</u>
Public safety:				
Police:				
Salaries	\$ 1,250,810	\$ 1,282,780	\$(31,970)	\$ 1,221,088
Payroll taxes and retirement	122,776	117,485	5,291	114,908
Insurance	183,804	175,559	8,245	186,326
Office	11,000	8,406	2,594	9,470
Vehicle	46,050	40,105	5,945	56,282
Maintenance and supplies	29,500	19,920	9,580	24,154
Jail	41,500	35,271	6,229	44,715
Uniforms and laundry	16,000	17,536	(1,536)	31,950
Other	37,700	60,772	(23,072)	55,101
Capital outlay	<u>92,750</u>	<u>67,726</u>	<u>25,024</u>	<u>89,215</u>
Total police	<u>\$ 1,831,890</u>	<u>\$ 1,825,560</u>	<u>\$ 6,330</u>	<u>\$ 1,833,209</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL (Continued)

Year Ended June 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	Year Ended June 30, 1998			Year Ended June 30, 1997
	Budget	Actual	Variance - Favorable (Unfavorable)	Actual
Public safety (continued):				
Fire:				
Salaries	\$ 1,217,006	\$ 1,257,133	\$ (40,127)	\$ 1,249,333
Payroll taxes and retirement	176,120	179,891	(3,771)	175,206
Insurance	186,000	192,527	(6,527)	192,327
Utilities	27,000	25,469	1,531	25,110
Vehicles	19,500	19,930	(430)	21,175
Maintenance and supplies	51,200	41,052	10,148	47,870
Uniforms and laundry	15,600	11,259	4,341	14,867
Other	14,150	6,965	7,185	12,222
Capital outlay	<u>10,000</u>	<u>2,300</u>	<u>7,700</u>	<u>51,759</u>
Total fire	\$ <u>1,716,576</u>	\$ <u>1,736,526</u>	\$ (<u>19,950</u>)	\$ <u>1,789,869</u>
Total public safety	\$ <u>3,548,466</u>	\$ <u>3,562,086</u>	\$ (<u>13,620</u>)	\$ <u>3,623,078</u>
Public works:				
Highways and streets:				
Salaries	\$ 339,500	\$ 314,358	\$ 25,142	\$ 311,881
Payroll taxes and retirement	44,176	40,608	3,568	40,515
Insurance	58,500	54,959	3,541	52,114
Utilities	4,000	3,406	594	4,003
Vehicle	34,000	22,728	11,272	32,095
Maintenance and supplies	94,365	114,222	(19,857)	101,259
Other	1,950	1,215	735	2,183
Capital outlay	<u>100,000</u>	<u>43,002</u>	<u>56,998</u>	<u>34,271</u>
Total highways and streets	\$ <u>676,491</u>	\$ <u>594,498</u>	\$ <u>81,993</u>	\$ <u>578,321</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL (Continued)

Year Ended June 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	Year Ended June 30, 1998			Year Ended June 30, 1997
	Budget	Actual	Variance - Favorable (Unfavorable)	Actual
Public works (continued):				
Health:				
Salaries	\$ 44,605	\$ 41,955	\$ 2,650	\$ 35,578
Payroll taxes and retirement	5,548	3,944	1,604	3,558
Insurance	6,670	5,803	867	5,616
Utilities	4,000	3,798	202	3,542
Vehicle	3,300	2,699	601	2,541
Maintenance and supplies	16,750	9,814	6,936	13,430
Other	<u>1,850</u>	<u>1,087</u>	<u>763</u>	<u>1,651</u>
Total health	<u>\$ 82,723</u>	<u>\$ 69,100</u>	<u>\$ 13,623</u>	<u>\$ 65,916</u>
Recreation:				
Salaries	\$ 375,667	\$ 354,152	\$ 21,515	\$ 340,414
Payroll taxes and retirement	43,657	40,847	2,810	39,698
Insurance	39,000	37,721	1,279	37,077
Utilities	59,600	52,342	7,258	50,800
Vehicles	12,500	10,125	2,375	9,897
Maintenance and supplies	58,425	71,751	(13,326)	58,338
Other	<u>8,650</u>	<u>5,083</u>	<u>3,567</u>	<u>7,768</u>
Total recreation	<u>\$ 597,499</u>	<u>\$ 572,021</u>	<u>\$ 25,478</u>	<u>\$ 543,992</u>
Cemetery:				
Salaries	\$ 107,620	\$ 102,838	\$ 4,782	\$ 91,833
Payroll taxes and retirement	13,842	13,319	523	11,649
Insurance	16,780	17,516	(736)	16,258
Utilities	1,200	733	467	709
Vehicle	7,800	5,026	2,774	6,454
Maintenance and supplies	7,340	7,881	(541)	4,854
Other	<u>1,650</u>	<u>1,178</u>	<u>472</u>	<u>682</u>
Total cemetery	<u>\$ 156,232</u>	<u>\$ 148,491</u>	<u>\$ 7,741</u>	<u>\$ 132,439</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL (Continued)

Year Ended June 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	Year Ended June 30, 1998			Year Ended June 30, 1997
	Budget	Actual	Variance - Favorable (Unfavorable)	Actual
Public works (continued):				
Building maintenance:				
Salaries	\$ 94,817	\$ 79,177	\$ 15,640	\$ 89,929
Payroll taxes and retirement	11,983	10,016	1,967	11,533
Insurance	15,800	12,376	3,424	15,434
Vehicle	1,600	639	961	751
Maintenance and supplies	29,300	24,615	4,685	21,966
Other	300	-	300	121
Total building maintenance	<u>\$ 153,800</u>	<u>\$ 126,823</u>	<u>\$ 26,977</u>	<u>\$ 139,734</u>
Capital outlay	<u>\$ 290,000</u>	<u>\$ 248,727</u>	<u>\$ 41,273</u>	<u>\$ 157,691</u>
Total public works	<u>\$ 1,956,745</u>	<u>\$ 1,759,660</u>	<u>\$ 197,085</u>	<u>\$ 1,618,093</u>
Sanitation:				
Sewer:				
Service contract	\$ 724,500	\$ 762,597	\$(38,097)	\$ 778,710
Other	10,000	8,537	1,463	12,513
Capital outlay	<u>100,000</u>	<u>85,307</u>	<u>14,693</u>	<u>5,569</u>
Total sanitation	<u>\$ 834,500</u>	<u>\$ 856,441</u>	<u>\$(21,941)</u>	<u>\$ 796,792</u>
Total general fund current expenditures	<u>\$ 8,910,344</u>	<u>\$ 8,187,804</u>	<u>\$ 722,540</u>	<u>\$ 8,015,996</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF MAYOR AND ALDERMEN'S COMPENSATION
Year Ended June 30, 1998

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

Clarence Hawkins, Mayor	\$ 53,486
Jo Ann Williams, Alderman	8,962
Willie Lenoir, Alderman	8,962
Arthur Hamlin, Alderman	8,962
Peyton Spear, Alderman	8,962
Trey Snodgrass, Alderman	<u>8,962</u>
Total compensation	<u>\$ 98,296</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 1998

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
United States Department of Justice:			
Office of Community Oriented Policing Services/ COPFAST	16.710	95CFWX2644	\$ 15,734
Juvenile Officer's Training/ Louisiana Commission on Law Enforcement	16.540	94J080J200209	<u>800</u>
Total - United States Department of Justice			<u>\$ 16,534</u>
Department of Housing and Urban Development:			
Louisiana Division of Administration/ Community Development Block Grants	14.228	CFMS 512624	\$ 265,549
Office of Community Services/ Macon Ridge Economic Development Region, Inc./ Community Project	10.772	none used	<u>51,549</u>
Total - Department of Housing and Urban Development			<u>\$ 310,098</u>
Total expenditures of federal awards			<u>\$ 333,632</u>

See note to Schedule of Expenditures of Federal Awards.

CITY OF BASTROP, LOUISIANA
NOTE TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

Note 1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City with all programs being presented on the modified accrual basis. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the presentation of, the financial statements.

HILL, INZINA & COMPANY

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

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

We have audited the general-purpose financial statements and the combining, individual fund and account group financial statements of City of Bastrop, Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 10, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended for the information of management, the Board of Aldermen and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

September 10, 1998

Hill, Myer & Co.

HILL, INZINA & COMPANY

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

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

Compliance

We have audited the compliance of City of Bastrop, Louisiana, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1998. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1998.

Internal Control Over Compliance

The management of City of Bastrop, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings as item 98-1.

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

This report is intended for the information of the management, the Board of Aldermen and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

September 10, 1998

Hill, Arzoo & Co.

CITY OF BASTROP, LOUISIANA

SCHEDULE OF FINDINGS
For the Year Ended June 30, 1998

We have audited the financial statements of City of Bastrop, Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 10, 1998. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Our audit of the financial statements as of June 30, 1998, resulted in an unqualified opinion.

Section I - Summary of Auditor's Results

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Type of Opinion On Compliance
For Major Program

Unqualified Qualified
Disclaimer Adverse

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?

Yes No

c. Identification of Major Program:

CFDA Number 14.228

Community Development Block Grants

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

Section II - Financial Statement Findings

1998-1 Inadequate Segregation of Duties
(See 1998-1 in Section III)

Section III - Federal Awards Findings

1998-1 Inadequate Segregation of Duties (finding was cited as first required in audit conducted by our firm as of and for the year ended June 30, 1985)

Program: Community Development Block Grants

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

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

Effect: Not determined.

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

Recommendation: No action is recommended.

Management's response and planned corrective action: We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

CITY OF BASTROP, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 1997

Section I - Internal Control and Compliance Material to Financial Statements

1997-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to proper internal control.

Unresolved - 1998-1.

Section II - Management Letter

None issued.