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**TOWN OF ARCADIA
Arcadia, Louisiana**

**General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 1998
With Supplemental Information Schedules**

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

Release Date _____

MAY 12 1999

**VERNON R
COON**
CERTIFIED PUBLIC ACCOUNTANT

TOWN OF ARCADIA
Arcadia, Louisiana

General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 1998
With Supplemental Information Schedules

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Independent Auditor's Report

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

I have audited the general purpose financial statements of the Town of Arcadia, as of December 31, 1998, and for the year ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Arcadia's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Arcadia as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

TOWN OF ARCADIA
Arcadia, Louisiana
Independent Auditor's Report,
December 31, 1998

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

In accordance with *Government Auditing Standards*, I have also issued a report dated April 16, 1999, on the Town of Arcadia's compliance with laws, regulations, and contracts, and my consideration of the agency's internal control over financial reporting.

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

West Monroe, Louisiana
April 16, 1999

**GENERAL PURPOSE FINANCIAL STATEMENTS
(OVERVIEW)**

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

Combined Balance Sheet, December 31, 1998

	...GOVERNMENTAL FUND TYPE...	PROPRIETARY FUND TYPE -	...ACCOUNT GROUPS...	TOTAL
	GENERAL FUND	WATER AND SEWER ENTERPRISE FUND	GENERAL LONG-TERM DEBT	(MEMORANDUM ONLY)
	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	GENERAL LONG-TERM DEBT	
ASSETS AND OTHER DEBITS				
Current assets:				
Cash and cash equivalents	\$196,817	\$320,143	\$322,360	\$1,203,581
Due from other funds	5,435	45,075	6,817	57,327
Receivables (net of allowances for uncollectible accounts)	85,147			181,953
Inventory		96,806		13,362
Total current assets	<u>287,399</u>	<u>365,218</u>	<u>329,177</u>	<u>1,456,223</u>
Restricted assets - cash and cash equivalents		474,429		35,879
Note receivable	47,390			47,390
Land, buildings, and equipment (net of accumulated depreciation)		5,278,531	\$1,231,157	6,509,688
Amount available in debt service funds			\$329,177	329,177
Amount to be provided for retirement of general long-term debt			1,223,688	1,223,688
TOTAL ASSETS AND OTHER DEBITS	<u>\$287,399</u>	<u>\$412,608</u>	<u>\$329,177</u>	<u>\$9,602,045</u>
		<u>\$5,788,839</u>	<u>\$1,552,865</u>	<u>\$1,231,157</u>
				<u>\$1,223,688</u>

LIABILITIES AND FUND EQUITY

Liabilities:						
Current liabilities:						
Accounts payable	\$20,069	\$7,524	\$20,847			\$48,440
Payroll withholdings payable	2,340					2,340
Due to other funds	4,682	33,659	18,986			57,327
Total Current Liabilities	<u>27,091</u>	<u>41,183</u>	<u>39,833</u>	<u>NONE</u>	<u>NONE</u>	<u>108,107</u>
Current liabilities (payable from restricted assets) - customer deposits			55,932			55,932
Bonds payable					\$1,485,000	1,485,000
Certificate of indebtedness payable					67,865	67,865
Deferred revenue		47,390				47,390
Total Liabilities	<u>27,091</u>	<u>88,573</u>	<u>95,765</u>	<u>NONE</u>	<u>1,552,865</u>	<u>1,764,294</u>
Fund Equity:						
Contributed capital			5,212,388			5,212,388
Investment in general fixed assets				\$1,231,157		1,231,157
Retained earnings:						
Reserved for customer deposits			55,932			55,932
Unreserved - undesignated			424,754			424,754
Total retained earnings	<u>NONE</u>	<u>NONE</u>	<u>480,686</u>	<u>NONE</u>	<u>NONE</u>	<u>480,686</u>
Fund balances:						
Reserved for debt service			\$329,177			329,177
Unreserved - undesignated	260,308	324,035				584,343
Total fund balances	<u>260,308</u>	<u>324,035</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>913,520</u>
Total Fund Equity	<u>260,308</u>	<u>324,035</u>	<u>5,693,074</u>	<u>1,231,157</u>	<u>NONE</u>	<u>7,837,751</u>
TOTAL LIABILITIES AND FUND EQUITY		<u>\$287,399</u>	<u>\$412,608</u>	<u>\$329,177</u>	<u>\$1,231,157</u>	<u>\$9,602,045</u>

The accompanying notes are an integral part of this statement.

TOWN OF ARCADIA
Arcadia, Louisiana
GOVERNMENTAL FUND TYPE

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 1998

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES					
Taxes:					
Ad valorem taxes	\$68,466				\$68,466
Sales and use taxes	513,891	\$236,915			750,806
Other taxes, penalties, and interest	75,944				75,944
Licenses and permits	110,404				110,404
Intergovernmental revenues:					
Federal funds	10,776			\$22,080	32,856
State funds	51,974				51,974
Local funds	10,813				10,813
Fees, charges, and commissions					
for services	6,991				6,991
Fines and forfeitures	9,608				9,608
Use of money and property	5,277	20,938	\$14,873		41,088
Other revenues	2,329	1,780	146		4,255
Total revenues	<u>866,473</u>	<u>259,633</u>	<u>15,019</u>	<u>22,080</u>	<u>1,163,205</u>
EXPENDITURES					
Current:					
General government	243,535	12,770		12,478	268,783
Public safety	287,799				287,799
Public works		287,133			287,133
Health and welfare	14,594				14,594
Culture and recreation	65	38,562			38,627
Economic development and assistance		31,712			31,712
Transportation	6,359				6,359
Debt service		14,238	200,640		214,878
Capital outlay	51,469	30,305		9,655	91,429
Total expenditures	<u>603,821</u>	<u>414,720</u>	<u>200,640</u>	<u>22,133</u>	<u>1,241,314</u>

(Continued)

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

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>\$262,652</u>	<u>(\$155,087)</u>	<u>(\$185,621)</u>	<u>(\$53)</u>	<u>(\$78,109)</u>
OTHER FINANCING SOURCES (Use)					
Sale of assets	7,416				7,416
Proceeds from insurance		15,425			15,425
Operating transfers in	100,786	250,617	199,232	53	550,688
Operating transfers out	<u>(187,062)</u>	<u>(1,750)</u>	<u>(201,572)</u>		<u>(390,384)</u>
Total other financing sources (use)	<u>(78,860)</u>	<u>264,292</u>	<u>(2,340)</u>	<u>53</u>	<u>183,145</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USE	183,792	109,205	(187,961)	NONE	105,036
FUND BALANCES AT BEGINNING OF YEAR	<u>76,516</u>	<u>214,830</u>	<u>517,138</u>	<u>NONE</u>	<u>808,484</u>
FUND BALANCES AT END OF YEAR	<u>\$260,308</u>	<u>\$324,035</u>	<u>\$329,177</u>	<u>NONE</u>	<u>\$913,520</u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

GENERAL FUND.....		SPECIAL REVENUE FUNDS.....		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USE	\$65,148	\$183,792	\$118,644	(\$37,555)	\$109,205	\$146,760
FUND BALANCES AT BEGINNING OF YEAR	<u>76,516</u>	<u>76,516</u>		<u>214,830</u>	<u>214,830</u>	
FUND BALANCES AT END OF YEAR	<u>\$141,664</u>	<u>\$260,308</u>	<u>\$118,644</u>	<u>\$177,275</u>	<u>\$324,035</u>	<u>\$146,760</u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenses
and Changes in Retained Earnings
For the Year Ended December 31, 1998

OPERATING REVENUES	
Charges for water service	\$506,908
Charges for sewer service	28,235
Sewer user charges	105,839
Other operating revenues	335
Total revenues	<u>641,317</u>
OPERATING EXPENSES	
General and administrative	138,416
Water department	390,234
Sewer department	68,614
Depreciation	181,844
Total operating expenses	<u>779,108</u>
OPERATING INCOME	<u>(137,791)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	26,797
Sales tax revenues	186,869
Non-Operating transfer out	(160,304)
Other expenses	(524)
Total non-operating revenues (expenses)	<u>52,838</u>
NET INCOME	(84,953)
Add depreciation on fixed assets acquired with federal grant	96,203
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>469,436</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$480,686</u>

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows
For the Year Ended December 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	<u>(\$137,791)</u>
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation expense	181,884
Increase in accounts receivable	(22,602)
Increase in inventory	1,094
Decrease in accounts payable	(13,383)
Increase in due to other funds	17,284
Increase in customer deposits	3,343
Total adjustments	<u>167,620</u>
Net cash provided by operating activities	<u>29,829</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Sales tax revenue	26,639
Non-operating transfers out	(75)
Non-operating expenses	<u>(526)</u>
Net cash provided by non-capital financing activities	<u>26,038</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(128,954)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>26,795</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(46,292)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>446,432</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$400,140</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF ARCADIA
Arcadia, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

Governmental Accounting Standards Board (GASB) Statement No. 14 established *criteria for determining which component units should be considered part of the Town of Arcadia for financial reporting purposes*. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the town to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the town.
2. Organizations for which the town does not appoint a voting majority but are fiscally dependent on the town.

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

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

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

B. FUND ACCOUNTING

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

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

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

Governmental Funds:

General Fund

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

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources such as sales taxes. Those revenues are legally restricted by tax proposition to expenditures for specified purposes such as street maintenance and construction and industrial development and inducement.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Capital Projects Funds

The capital projects funds account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Proprietary Fund Type - Water and Sewer Enterprise Fund

The Water and Sewer Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. FIXED ASSETS AND LONG-TERM DEBT

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures (capital outlay) in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at estimated cost where no historical records are available. Approximately 49 per cent of general fixed assets are valued at estimated historical cost based on the

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

actual cost of like items. Donated fixed assets are valued at their estimated fair market value on the date received.

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

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

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

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

D. BASIS OF ACCOUNTING

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

The modified accrual basis of accounting is used for reporting all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The town uses the following practices in recognizing and reporting revenues and expenditures:

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

Revenues

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

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

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

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

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

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

Expenditures

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

Other Financing Sources (Use)

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

Proprietary Fund Type - Water and Sewer Enterprise Fund

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

E. BUDGET PRACTICES

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

Budget amendments involving the transfer of funds from one department, program, or function or increased expenditures resulting from increases in budgeted revenues require the approval of the board of aldermen. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. The town does not use encumbrance accounting in its accounting system. The budget comparison statement included in the accompanying financial statements includes the original adopted budgets and the subsequent amendments.

F. CASH AND CASH EQUIVALENTS

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

At December 31, 1998 the town has cash and cash equivalents (book balances) totaling \$1,239,460 as follows:

Demand deposits	\$968,791
Petty cash	93
Time deposits	<u>270,576</u>
Total	<u>\$1,239,460</u>

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

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at December 31, 1998 are secured as follows:

Bank Balances	<u>\$1,315,782</u>
Federal deposit insurance	\$300,000
Pledged securities (uncollateralized)	<u>1,125,931</u>
Total	<u>\$1,425,931</u>

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

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

G. INVENTORY

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

H. VACATION AND SICK LEAVE

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

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

I. RISK MANAGEMENT

The town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the town maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 1998.

J. SALES TAX

On October 18, 1997, the voters of the Town of Arcadia approved the rededication of the 1987 one cent sales tax to be used and dedicated as follows: 50% for general operating revenue; 30% for constructing, paving, resurfacing, improving, and/or maintaining streets; 10% for acquiring, improving, maintaining and supporting parks and recreation programs in and for the town; and 10% for industrial construction, inducement and/or procurement. The election on October 18, 1997 extended the levy and collection of the original tax for an additional ten years from June 1, 2002. On July 13, 1991, the voters approved a one percent sales and use tax requiring that at least 40% of the proceeds be used for constructing, acquiring, extending and/or improving sewer and sewerage disposal facilities and the waterworks system of the town and the remainder to be used for any lawful purpose of the town. The 1991 tax is for a twenty-five year period. The Bienville Parish School Board serves as the collection agent for the sales taxes and is paid a collection fee for acting as such.

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

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

2. LEVIED TAXES

For the year ended December 31, 1998, a 7 mill tax authorized by the State of Louisiana for general operating purposes was levied on property with assessed valuations totaling \$11,545,670.

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

The following are the principal taxpayers for the town and their 1998 assessed valuation (amounts expressed in thousands):

	1998 Assessed Valuation	Per cent of Total Assessed Valuation
Haynes International	\$1,672	14.48%
AT&T	975	8.44%
Stone Container	797	6.90%
First National Bank, Bienville Parish	634	5.49%
Bellsouth	434	3.76%
Entergy of Louisiana	279	2.42%
Randall Farms	213	1.84%
Gibsland Bank & Trust	165	1.43%
Bienville Motors	165	1.43%
Arcadia Health Care	126	1.09%
Total	<u>\$5,460</u>	<u>47.28%</u>

3. RECEIVABLES

The following is a summary of receivables at December 31, 1998:

	General Fund	Water and Sewer Enterprise Fund	Total
Taxes:			
Ad valorem	\$62,261		\$62,261
Other taxes, penalties, and interest	12,717		12,717
Federal funds	898		898
State funds	7,920		7,920
Accounts		\$99,491	99,491
Less allowance for doubtful accounts		(4,975)	(4,975)
Other	1,351	2,290	3,641
Total	<u>\$85,147</u>	<u>\$96,806</u>	<u>\$181,953</u>

4. DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at December 31, 1998, are as follows:

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

	Due from Other Funds	Due to Other Funds
General fund	\$5,435	\$4,682
Special revenue funds:		
3 Mill	35,838	1,097
Industrial Inducement	2,853	2,480
Sales tax	6,384	30,082
Debt service fund - 1988 Public Improvement Bonds	6,817	
Water and Sewer Enterprise fund		18,986
	<u> </u>	<u> </u>
Total	<u>\$57,327</u>	<u>\$57,327</u>

5. NOTE RECEIVABLE

On June 12, 1986, the town entered into a contract with KADAV, Inc., wherein the town agreed to loan to KADAV, Inc., \$348,400 of Louisiana Community Development Block Grant proceeds for the renovation of a building in order to promote economic development in Arcadia. KADAV, Inc. agreed to repay the loan principal and interest of three percent per annum, by making sixteen annual payments of \$27,736 through September 1, 2002. On May 31, 1991, the agreement was amended so that KADAV Inc., remits 50 percent of each loan and interest payment directly to the Town of Arcadia and the remaining 50 percent directly to the State of Louisiana, Division of Administration. The principal due the town at December 31, 1998, totals \$47,390. This amount is reflected in the accompanying balance sheet as a note receivable with a corresponding deferred revenue liability recorded to demonstrate that the funds are not available to fund current operations.

6. FIXED ASSETS

The following presents the changes in general fixed assets for the year ended December 31, 1998:

	Balance at January 1,	Additions	Deletions	Balance at December 31,
Land	\$157,939	\$21,186		\$179,125
Buildings	431,402			431,402
Improvements	2,850	7,100		9,950
Equipment	610,842	53,488	(\$63,305)	601,025
Construction in progress		9,655		9,655
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$1,203,033</u>	<u>\$91,429</u>	<u>(\$63,305)</u>	<u>\$1,231,157</u>

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

Beginning balances have been restated to reflect assets not recorded in prior year.

A summary of proprietary fund type property, plant, and equipment at December 31, 1998, follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$259,828		\$259,828
Water wells	579,009	(\$439,818)	139,191
Pumping plant	105,235	(92,948)	12,287
Purification plant	111,489	(110,965)	524
Storage reservoir tanks	163,232	(124,854)	38,378
Water distribution system	1,368,173	(838,357)	529,816
General equipment	134,742	(48,058)	86,684
Office equipment	15,270	(9,432)	5,838
Improvements	7,800	(3,550)	4,250
Sewer system	5,263,251	(1,103,536)	4,159,715
Automobiles	81,846	(39,826)	42,020
Total	<u>\$8,089,875</u>	<u>(\$2,811,344)</u>	<u>\$5,278,531</u>

7. PENSION PLANS

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefits provisions. All employees of the municipality are members of Plan B. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to two per cent of their final average monthly salary for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced three percent for each year retirement precedes age 60,

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefits accrued to their date of termination. The system also provides death and disability benefits. Benefits are established or amended by state statute.

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

Under Plan B, members are required by state statute to contribute 5.0 per cent of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate is 3.75 per cent of annual covered payroll. Contributions to the system include one-fourth of one per cent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Arcadia are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Arcadia's contributions to the System under Plan B for the years ended December 31, 1998, 1997, and 1996, were \$7,238, \$6,626, and \$7,455 respectively, equal to the required contributions for each.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

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

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

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

Plan members are required by state statute to contribute 7.5 per cent of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate is 9.0 per cent of annual covered payroll. The contribution requirements of plan members and the Town of Arcadia are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Arcadia's contributions to the System for the year ended December 31, 1998, 1997, and 1996, were \$12,191, \$11,047, \$12,534, respectively, equal to the required contributions for each.

8. CHANGES IN LONG-TERM DEBT

The following is a summary of general long-term debt transactions for the year ended December 31, 1998:

	<u>Bonds Payable</u>	<u>Certificate of Indebtedness</u>	<u>Total</u>
Long-term debt at December 31, 1997	\$1,580,000	\$76,732	\$1,656,732
Retirements	<u>(95,000)</u>	<u>(8,867)</u>	<u>(103,867)</u>
Long-term debt at December 31, 1998	<u>\$1,485,000</u>	<u>\$67,865</u>	<u>\$1,552,865</u>

Long-term debt at December 31, 1998, is comprised of the following individual issues:

1992 Sales Tax Bonds - \$1,700,000 - Sales tax bond issue dated January 1, 1992, due in annual installments of \$50,000 to \$150,000 through January 2012; interest at 6.2 to 11.0 per cent. Debt retirement payments are made from the 1992 Sales Tax Bonds Debt Service Fund.	\$1,345,000
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TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

Refunding Bonds, Series 1992 - \$300,000 - Refunding bonds issued November 5, 1992, due in annual installments of \$25,000 to \$40,000 through May 2002; interest at 5.25 to 6.1 per cent. Debt retirement payments are made from the Refunding Bonds Debt Service Fund. \$140,000

Certificates of Indebtedness - \$100,000 issue dated March 17, 1994, for the purpose of purchasing equipment. The principal is due in annual installments of \$7,237 to \$13,306 through March 17, 2004 with interest at 7.0 per cent. Debt retirement payments are made from the Industrial Development Special Revenue Fund. \$67,865

Total \$1,552,865

The annual requirements to amortize all general long-term debt outstanding at December 31, 1998, including interest of \$769,650, are as follows:

<u>Year</u>	<u>Bonds Payable</u>	<u>Certificate of Indebtedness</u>	<u>Total</u>
1999	\$193,742	\$14,238	\$207,980
2000	197,712	14,238	211,950
2001	196,123	14,238	210,361
2002	198,970	14,238	213,208
2003 - 2007	\$802,905	\$28,476	\$831,381
2008 - 2011	647,635		647,635
Total	<u><u>\$2,237,087</u></u>	<u><u>\$85,428</u></u>	<u><u>\$2,322,515</u></u>

9. CONTRIBUTED CAPITAL

The town has received grants from various federal, state, and local agencies to finance the acquisition and construction of the enterprise fund fixed assets. The amount, shown as contributed capital on the balance sheet, is reduced each year by the amount of depreciation expense recognized on fixed assets constructed or acquired with the federal grant funds. The following schedule presents changes in contributed capital for the year ended December 31, 1998:

Balance, January 1, 1998	\$5,308,591
Deductions - Depreciation on fixed assets acquired with federal grant	<u>(96,203)</u>
Balance, December 31, 1998	<u><u>\$5,212,388</u></u>

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

10. LOCAL SERVICES AGREEMENT

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

11. LITIGATION AND CLAIMS

At December 31, 1998, the town was involved in several lawsuit, which, in the opinion of legal counsel, with the exception of one, is adequately covered by the town's liability insurance. The chief of police has sued the town in an effort to have his pay reinstated to the amount of the previous year. Per legal council, statutory law and jurisprudence makes it appear that the town should be successful. However, if the town is unsuccessful the range of liability and damages can not be estimated at this time. Therefore, no liability has been recorded in the accompanying financial statements.

12. FEDERAL FINANCIAL ASSISTANCE

During the year ended December 31, 1998, the town of Arcadia participated in the following federal financial assistance programs:

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR NAME/ PROGRAM TITLE	GRANT NUMBER	CFDA NUMBER	CONSUMED/ ...EXPENDED... YEAR ENDED December 31, 1998
United States Department of Justice Passed through Office of Community Oriented Policing Services (COPS)		16.710	\$10,776
United States Department of Housing and Urban Development Passed through Louisiana Division of Administration - Louisiana Community Development Block Grant - State's Program Street improvements		14.228	<u>22,080</u>
Total Federal Financial Assistance			<u><u>\$32,856</u></u>

TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements (Continued)

14. RANDALL FARMS AGREEMENT

Revenue bonds, series 1997A totaling \$3,000,000 and revenue bonds, series 1997B totaling \$5,200,000 were issued August 1, 1997. Under an agreement entered into between the Town of Arcadia and Randall Farms, LLC, the bonds do not bear the full faith and credit of the town. The retirement of the bonds, including interest charges, paying agent fees, and any other costs associated with servicing the debt, are the sole responsibility of Randall Farms, LLC.

15. YEAR 2000 ISSUE (Unaudited)

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999. The Town of Arcadia has completed an inventory of computer systems that may be affected by the year 2000 issue and that are critical to conducting operations of the city's office. The city has identified the financial reporting system as requiring 2000 remediation and has purchased the system updates. However, it is my understanding that the system upgrades have not been installed and therefore, not tested. Anticipated installation of the system upgrade is June, 1999.

SUPPLEMENTAL INFORMATION SCHEDULES

TOWN OF ARCADIA
Arcadia, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended December 31, 1998

SPECIAL REVENUE FUNDS

3 MILL FUND

The 3 Mill Fund accounts for 30 percent of the 1997 1 percent sales tax to be dedicated and used for constructing, paving, resurfacing, improving and/or maintaining streets in and for the town.

INDUSTRIAL INDUCEMENT FUND

The Industrial Inducement Fund accounts for 10 percent of the 1997 1 percent sales tax to be dedicated and used for industrial construction, inducement and/or procurement.

INDUSTRIAL DEVELOPMENT FUND

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

SALES TAX FUND

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

PARKS AND RECREATION FUND

The Parks and Recreation Fund accounts for 10 percent of the 1997 1 percent sales tax to be dedicated and used to acquire, maintain, improve, and support parks and recreation programs in and for the town

TOWN OF ARCADIA
Arcadia, Louisiana
SPECIAL REVENUE FUNDS

Combining Balance Sheet, December 31, 1998

	<u>3 MILL</u>	<u>INDUSTRIAL INDUCEMENT</u>	<u>INDUSTRIAL DEVELOPMENT</u>	<u>SALES TAX</u>	<u>PARKS AND RECREATION</u>	<u>TOTAL</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$125,854	\$139,416	\$13,868	\$21,982	\$19,023	\$320,143
Due from other funds	35,838	2,853		6,384		45,075
Total current assets	<u>161,692</u>	<u>142,269</u>	<u>13,868</u>	<u>28,366</u>	<u>19,023</u>	<u>365,218</u>
Note receivable			47,390			47,390
TOTAL ASSETS	<u><u>\$161,692</u></u>	<u><u>\$142,269</u></u>	<u><u>\$61,258</u></u>	<u><u>\$28,366</u></u>	<u><u>\$19,023</u></u>	<u><u>\$412,608</u></u>
LIABILITIES AND FUND EQUITY						
Liabilities:						
Current liabilities:						
Accounts payable	\$6,649	\$10			\$865	\$7,524
Due to other funds	1,097	2,480		\$30,082		33,659
Total current liabilities	<u>7,746</u>	<u>2,490</u>	NONE	<u>30,082</u>	<u>865</u>	<u>41,183</u>
Deferred revenue			\$47,390			47,390
Total Liabilities	<u>7,746</u>	<u>2,490</u>	<u>47,390</u>	<u>30,082</u>	<u>865</u>	<u>88,573</u>
Fund Equity - fund balances (Deficit) - unreserved - undesignated	<u>153,946</u>	<u>139,779</u>	<u>13,868</u>	<u>(1,716)</u>	<u>18,158</u>	<u>324,035</u>
TOTAL LIABILITIES AND FUND	<u><u>\$161,692</u></u>	<u><u>\$142,269</u></u>	<u><u>\$61,258</u></u>	<u><u>\$28,366</u></u>	<u><u>\$19,023</u></u>	<u><u>\$412,608</u></u>

TOWN OF ARCADIA
Arcadia, Louisiana
SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 1998

	<u>3 MILL</u>	<u>INDUSTRIAL INDUCEMENT</u>	<u>INDUSTRIAL DEVELOPMENT</u>	<u>SALES TAX</u>	<u>PARKS AND RECREATION</u>	<u>TOTAL</u>
REVENUES						
Sales and use taxes	\$140,152	\$46,717		\$3,329	\$46,717	\$236,915
Use of money and property	2,454	3,406	\$13,868	1,210		20,938
Other revenues		1,700			80	1,780
Total revenues	<u>142,606</u>	<u>51,823</u>	<u>13,868</u>	<u>4,539</u>	<u>46,797</u>	<u>259,633</u>
EXPENDITURES						
Current:						
General government				12,770		12,770
Public works	287,133					287,133
Culture and recreation					38,562	38,562
Economic development and assistance		31,712				31,712
Debt service			14,238			14,238
Capital outlay	21,612	1,144			7,549	30,305
Total expenditures	<u>308,745</u>	<u>32,856</u>	<u>14,238</u>	<u>12,770</u>	<u>46,111</u>	<u>414,720</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(166,139)</u>	<u>18,967</u>	<u>(370)</u>	<u>(8,231)</u>	<u>686</u>	<u>(155,087)</u>
OTHER FINANCING SOURCES (use)						
Proceeds from insurance	15,425					15,425
Operating transfers in	206,155	23,882	258		20,322	250,617
Operating transfers out		(1,750)				(1,750)
Total other financing sources (use)	<u>221,580</u>	<u>22,132</u>	<u>258</u>	<u>NONE</u>	<u>20,322</u>	<u>264,292</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCE OVER EXPENDITURES AND OTHER USE	55,441	41,099	(112)	(8,231)	21,008	109,205
FUND BALANCES (Deficit) AT BEGINNING OF YEAR	<u>98,505</u>	<u>98,680</u>	<u>13,980</u>	<u>6,515</u>	<u>(2,850)</u>	<u>214,830</u>
FUND BALANCES (Deficit) AT END OF YEAR	<u>\$153,946</u>	<u>\$139,779</u>	<u>\$13,868</u>	<u>(\$1,716)</u>	<u>\$18,158</u>	<u>\$324,035</u>

TOWN OF ARCADIA
Arcadia, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended December 31, 1998

DEBT SERVICE FUNDS

1992 SALES TAX BONDS

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

1988 PUBLIC IMPROVEMENT BONDS

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

REFUNDING BONDS

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

TOWN OF ARCADIA
Arcadia, Louisiana
DEBT SERVICE FUNDS

Combining Balance Sheet, December 31, 1998

	1992 SALES TAX BONDS	1988 PUBLIC IMPROVEMENT BONDS	REFUNDING BONDS	TOTAL
ASSETS				
Cash and cash equivalents	\$278,329		\$44,031	\$322,360
Due from other funds		\$6,817		6,817
TOTAL ASSETS	<u>\$278,329</u>	<u>\$6,817</u>	<u>\$44,031</u>	<u>\$329,177</u>
FUND EQUITY				
Fund Equity - fund balances - reserved for debt service	<u>\$278,329</u>	<u>\$6,817</u>	<u>\$44,031</u>	<u>\$329,177</u>

TOWN OF ARCADIA
Arcadia, Louisiana
DEBT SERVICE FUNDS

Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 1998

	1992 SALES TAX BONDS	1988 PUBLIC IMPROVEMENT BONDS	REFUNDING BONDS	TOTAL
REVENUES				
Use of money and property	\$13,061		\$1,812	\$14,873
Other revenues		\$146		146
Total revenues	<u>13,061</u>	<u>146</u>	<u>1,812</u>	<u>15,019</u>
EXPENDITURES				
Debt service	<u>160,750</u>		<u>39,890</u>	<u>200,640</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(147,689)</u>	<u>146</u>	<u>(38,078)</u>	<u>(185,621)</u>
OTHER FINANCING SOURCE (USE)				
Operating transfers in	160,230		39,002	199,232
Operating transfers out		(201,572)		(201,572)
Total other financing source (use)	<u>160,230</u>	<u>(201,572)</u>	<u>39,002</u>	<u>(2,340)</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCE OVER EXPENDITURES AND OTHER USE	12,541	(201,426)	924	(187,961)
FUND BALANCES AT BEGINNING OF YEAR	<u>265,788</u>	<u>208,243</u>	<u>43,107</u>	<u>517,138</u>
FUND BALANCES AT END OF YEAR	<u>\$278,329</u>	<u>\$6,817</u>	<u>\$44,031</u>	<u>\$329,177</u>

TOWN OF ARCADIA
Arcadia, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
As of and for the Year Ended December 31, 1998

COMPENSATION PAID ALDERMEN

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

TOWN OF ARCADIA
Arcadia, Louisiana

Schedule of Compensation Paid Aldermen
For the Year Ended December 31, 1998

Charlie Brown	\$2,400
Gary Carlisle	2,400
Harold Durrett, Mayor Pro Tem	450
June Durrett	2,000
Jean Kelley	2,400
Charles Smith, Jr.	<u>2,400</u>
Total	<u>\$12,050</u>

**Independent Auditor's Reports Required
by *Government Auditing Standards***

The following independent auditor's reports on compliance with laws, regulations and contracts and internal control over financial reporting are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

**Independent Auditor's Report on Compliance and
Internal Control Over Financial Reporting**

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana

I have audited the general purpose financial statements of the Town of Arcadia as of and for the year ended December 31, 1998 and have issued my report thereon dated April 16, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Arcadia's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 98-3.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Arcadia's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I considered to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the Town of Arcadia's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and question costs as items 98-1 and 98-2.

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana
Independent Auditor's Report on Compliance
And Internal Control Over Financial Reporting, etc.
December 31, 1998

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 general purpose financial statements being audited may occur and not be detected within a timely manner 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, of the reportable conditions described above, we considered items 98-1 and 98-2 to be material weaknesses.

This report is intended for the information of the Town of Arcadia. This is not intended to limit the distribution of this report, which is a matter of public record.



West Monroe, Louisiana
April 16, 1999

TOWN OF ARCADIA
Arcadia, Louisiana

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Town of Arcadia.
2. One instance of noncompliance material to the financial statements of Town of Arcadia was disclosed during the audit.
3. Two reportable conditions relating to the audit of the financial statements are reported in the independent auditor's report on Internal Control Over Financial Reporting. The reportable conditions were considered material weaknesses.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

**98-1 Need Segregation of Duties
In Collecting, Depositing
and Recording Cash Receipts**

Finding: Proper internal control procedures require that no employee be in a position to both perpetrate and conceal errors or irregularities that would not be detected within a timely period by other employees in the normal course of performing their assigned functions. My examination of the internal controls disclosed the following deficiencies:

1. During the year ended December 31, 1998, one employee was responsible for collecting, depositing, and recording water and sewer service receipts. In addition to collecting and depositing water and sewer service receipts, this employee was also responsible for maintaining records of unpaid taxes, posting water and sewer payments to the subsidiary accounts receivable records and following up on unpaid accounts.
2. When water and sewer payments are received the water and sewer clerk stamps the customer's payment stub as paid or makes a receipt if the customer has not brought their bill. She then places the money in a unlocked drawer. The receipts are not posted to the computer on a daily basis and daily deposits are not made. It should be noted that the previous steps could be completely eliminated. A new software system was purchased that has a cash receipts module that allows the clerk to post the receipts as soon as the person pays. This program also generates a receipt for the payee and immediately post to the payees account. Instead of using this module the clerk holds all monies until she gets

TOWN OF ARCADIA
Arcadia, Louisiana

Schedule of Findings and Questioned Costs (Contd.)
For the Year Ended December 31, 1998

ready to post to the system which could be as long as a week. She then has to manually post all receipts at one time through the payment and adjustment function. From discussions with the programmer I determined that at the end of each day a cash receipts journal could be printed.

3. I attempted to reconcile cash receipts for the year to the general ledger however, due to the lack of organization of the accounting records all payment and billing registers could not be located. At the beginning of my field work I requested various reports from the water and sewer clerk. Realizing it was taking much longer than anticipated to get the reports I inquired again. I then went to her again and found that the reports were stacked in various location in her office and she was having to find them. I looked myself and saw information from prior years was mixed in with current year information. Since the clerk was unable to locate all of the reports, it was not possible for me to compare receipts journals to the general ledger and billing registers' and get a accurate difference.

4. During the year ended December 31, 1998 the town water and sewer clerk wrote off approximately \$149,677 without prior approval of the Board of Aldermen.

5. Discussions with the water and sewer clerk disclosed that an aging report is not being printed on a monthly basis because she was told that cut off notices were not going to be mailed, therefore, she did not see the necessity in printing the report. I had the clerk print an aging report on April 5, 1999. Examination of the aging report disclosed that \$6,141 is sixty days delinquent, \$4,316 is ninety days delinquent, and \$18,016 is one hundred and twenty days delinquent. Discussions with agency personnel disclosed that the town's policy regarding overdue payments for the year ended December 31, 1998 is to cutoff customer service for amounts due sixty days and over.

Recommendation: To correct above listed deficiencies I recommend the following:

1. In order to achieve proper internal controls over receipts, the functions of collecting, depositing and recording receipts should be performed by separate individuals. I recommend that the town hire an additional employee for the position of town cashier whose duties would be to collect all taxes, fines, permits, water and sewer service payments, etc. The current employee would continue to be responsible for maintaining subsidiary accounts receivable records and the town clerk would be responsible for making deposits and recording the receipts in the accounting records.

TOWN OF ARCADIA
Arcadia, Louisiana

Schedule of Findings and Questioned Costs (Contd.)
For the Year Ended December 31, 1998

2. The water and sewer clerk should post receipts to the computer every day and a deposit should be made that corresponds with the receipts listing for that day.
3. Records should be filed in an orderly manner. I recommend that a binder be maintained for each month. The daily cash receipts journals should be filed in chronological order. In addition to this a separate binder should be maintained for the billing registers and they should also be filed in chronological order. It should be noted that had the information been filed in an orderly manner it would have allowed a more efficient audit process.
4. Before any water or sewer bill is adjusted or written off approval should be obtained from the Board of Aldermen.
5. Water service should be terminated when bills are delinquent sixty days or more to be in compliance with the town's policy regarding cutoff. If management elects to relax its collection policy, it should be by formal approval or adoption.

98-2 Need to Reconcile Customer Deposits

Finding: I was unable to reconcile customer deposits per the general ledger cash account and liability account to customer deposits per the deposit listing maintained on the new computer software. At December 31, 1998, the cash account indicated \$11,414 more than deposit listing while the liability account indicated \$31,257 more than deposit listing. The following may have contributed to the difference:

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

Recommendation: I recommend that the following be done to reconcile the amounts:

- a) Amounts charged for meters be deposited in the Meter Deposit account.
- b) The water clerk transfer deposits with a customer when service is transferred.
- c) The water clerk post the date the deposit is received to deposit listing.

TOWN OF ARCADIA
Arcadia, Louisiana

Schedule of Findings and Questioned Costs (Contd.)
For the Year Ended December 31, 1998

- d) The town clerk transfer funds from the water and sewer account to the customer service account to agree the cash account to the liability account. In addition, the water clerk must determine which individuals deposits belong to.
- e) The water clerk reconcile the deposit report to the general ledger monthly.

98-3 DONATION OF PUBLIC FUNDS

Finding: Article VII, Section 14 of the Louisiana Constitution prohibits loaning, pledging, or donating any funds, credit, property, or things of value of the town. The following transactions or arrangements violate this section:

- A. During my test of expenditures I noted that on March 11, 1998 the Town purchased two tables at the Chamber of Commerce banquet for \$200. Donations or contributions to the chamber of commerce have been addressed by several opinions of the Attorney General, all of which opined that such donations were a violation of Article VII, Section 14.
- B. In April, 1996, the board voted to "help the chamber with the electricity bill" for the depot building owned by the town. Part of the building houses a museum and part is occupied by the chamber of commerce rent-free.

I recommend that the town discontinue paying the electricity bill unless it can systematically allocate the bill to the museum and the chamber and pay only the museum cost. Further, the chamber must pay rent for use of the town's building. In the future the board should advertise that surplus property is available for sale or lease in accordance with Louisiana Revised Statute 33:4712. This is a repeat comment from the audit for the years ended December 31, 1996 and 1997.

TOWN OF ARCADIA
Arcadia, Louisiana

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 1998

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

Recommendation: The auditor recommend that the town comply with all requirements of the Local Government Budget Act, monitor expenditures, and amend budgets when operations and compliance with state law dictates such.

Status: This finding has been cleared.

**Need Segregation of Duties
In Collecting, Depositing
and Recording Cash Receipts**

Recommendation: The auditor recommend the following:

1. In order to achieve proper internal controls over receipts, the functions of collecting, depositing and recording receipts should be performed by separate individuals. I recommend that the town hire an additional employee for the position of town cashier whose duties would be to collect all taxes, fines, permits, water and sewer service payments, etc. The current employee would continue to be responsible for maintaining subsidiary accounts receivable records and the town clerk would be responsible for making deposits and recording the receipts in the accounting records.
2. The water and sewer clerk should post receipts to the computer every day and a deposit should be made that corresponds with the receipts listing for that day.
3. The door to the office should be closed and locked at all times during the day. The cash drawer should be locked when the office is left unattended.
4. Before any water or sewer bill is adjusted or written off approval should be obtained from the Board of Aldermen.
5. Water service should be terminated when bills are delinquent sixty days or more to be in compliance with the town's policy regarding cutoff. If management elects to relax its collection policy because of unforeseen economic conditions, it should be by formal approval or adoption.

Status: See finding 98-1

TOWN OF ARCADIA
Arcadia, Louisiana

Summary Schedule of Prior Audit Findings (Contd.)
For the Year Ended December 31, 1998

Need to Reconcile Customer Deposits

Recommendation: The auditor recommended that the following be done to reconcile the amounts:

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

Status: See finding 98-2



TOWN OF ARCADIA

Council Members

Jean H. Kelley - District I
Bruce Russell - District II
Charles M. Brown - District III
Edward Mason, Jr. - District IV
Gary Carlisle - District V

Peggy C. Gantt, Mayor

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(318) 263-9050
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Clerk
Dianne Futch

Attorney
Russell Davis

Legislative Audit Advisory Council
Daniel G. Kyle, Secretary
P. O. Box 94397
Baton Rouge, LA 70804-9397

Town of Arcadia respectfully submits the following corrective action plan for the year ended December 31, 1998.

Audit period: January 1, 1998 - December 31, 1998

The findings from the April 16, 1999 schedule of findings and questioned costs are discussed below. The finds are numbered consistently with the numbers in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

98-1 Need Segregation of Duties in Collecting, Depositing and Recording Cash Receipts

Recommendation: To correct above listed deficiencies the auditor recommends the following:

1. In order to achieve proper internal controls over receipts, the functions of collecting, depositing and recording receipts should be performed by separate individuals. The auditor recommended that the town hire an additional employee for the position of town cashier whose duties would be to collect all taxes, fines, permits, water and sewer service payments, etc. The current employee would continue to be responsible for maintaining subsidiary accounts receivable records and the town clerk would be responsible for making deposits and recording the receipts in the accounting records.

2. The water and sewer clerk should post receipts to the computer every day and a deposit should be made that

corresponds with the receipts listing for that day.

3. Records should be filed in an orderly manner. The auditor recommended that a binder be maintained for each month. The daily cash receipts journals should be filed in chronological order. In addition to this a separate binder should be maintained for the billing registers and they should also be filed in chronological order.

4. Before any water or sewer bill is adjusted or written off approval should be obtained from the Town of Arcadia Town Council.

5. Water service should be terminated when bills are delinquent sixty days or more to be in compliance with the town's policy regarding cutoff. If management elects to relax its collection policy, it should be by formal approval or adoption.

Action to be taken:

1. The town has hired a new employee as cash collection clerk. She began work on 4/12/99. She has her own office. She will receive and disburse all monies coming into city hall, post payments to customer accounts, balance her drawer and prepare daily cash reports. She will process accounts for final billing and refunding of deposits.

2. The new cash collection clerk is using the new computer system and is posting as each person comes in. The computer system gives the customer a receipt as it is posted and post to that customers account. At the end of the day, she is running a report to check cash & receivables, then turns it over to the water clerk to make daily deposits.

3. The new cash collection clerk and water clerk have gotten binders and are putting the reports by month in the binders. We are maintaining three binders a month which will be easier to find information.

4. As of the first of May we have a new adjustment sheet. If a customer has a problem with a bill they will be asked to fill out this sheet. The sheets will be given to the Council Members twice a month for an adjustment.

5. A new policy was put into effect where your cut off date is on your bill, so we saw no need to mail out extra notices. The bills that are sixty days past due will be reviewed and cut off. With the water clerk having more time as the new cash collection clerk is taking over some of her duties, she should be able to bring the aging report up to date.

98-2 Need to Reconcile Customer Deposits

Recommendation: The auditor recommends that the following be done to reconcile the amounts:

- a) Amounts charged for meters be deposited in the Meter Deposit account.
- b) The water clerk transfer deposits with a customer when service is transferred.
- c) The water clerk post the date the deposit is received to deposit listing.
- d) The town clerk transfer funds from the water and sewer account to the customer service account to agree the cash account to the liability account. In addition, the water clerk must determine which individuals deposits belong to.
- e) The water clerk reconcile the deposit report to the general ledger monthly.

Action to be taken: We will follow the auditors recommendations.

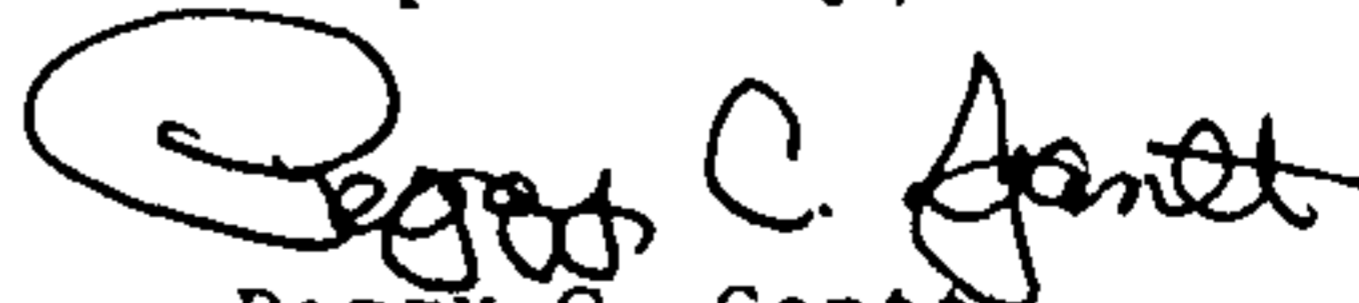
98-3 DONATION OF PUBLIC FUNDS

Recommendation: The auditor recommends that the town discontinue paying the electricity bill unless it can systematically allocate the bill to the museum and pay only the museum cost. Further, the chamber must pay rent for use of the town's building. In the future the board should advertise that surplus property is available for sale or lease in accordance with Louisiana Revised Statute 33:4712.

Action to be taken:

- a) We are writing a letter to the Chamber of Commerce that states we will no longer pay the electricity bill. Also we are going to discuss the amount of rent the Chamber of Commerce must pay for use of the town's building at the next council meeting.
- b) The town will advertise that surplus property is available for sale or lease in accordance with Louisiana Revised Statute 33:4712.

Respectfully,



Peggy C. Gantt
Mayor