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LEGISLATIVE AUDITOR

VILLAGE OF DIXIE INN, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 1998

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Release Date FEB 4 1999

VILLAGE OF DIXIE INN, LOUISIANA  
Financial Report  
Year Ended June 30, 1998

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Ava Nell McWhorter, Mayor Pro Tem  
and the Members of the Board of Aldermen  
Dixie Inn, Louisiana

We have audited the accompanying general purpose financial statements of the Village of Dixie Inn, Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Dixie Inn, Louisiana's, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, 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 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosures of certain matters regarding the year 2000 issue. The Village of Dixie Inn, Louisiana has included such disclosures in Note 13. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Village of Dixie Inn, Louisiana's disclosures with respect to the year 2000 issue made in Note 13. Further, we do not provide assurance that Village of Dixie Inn, Louisiana is or will be year 2000 ready, that Village of Dixie Inn, Louisiana's year 2000 remediation efforts will be successful in whole or in part or that parties with which Village of Dixie Inn, Louisiana does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Dixie Inn, Louisiana, as of June 30, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 1998, on our consideration of the Village of Dixie Inn, Louisiana's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Dixie Inn, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Jamieson, Wise & Martin

Minden, Louisiana  
December 28, 1998

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MEMBERS

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

To the Honorable Ava Nell McWhorter, Mayor Pro Tem,  
and the Members of the Board of Aldermen  
Dixie Inn, Louisiana

We have audited the general purpose financial statements of the Village of Dixie Inn, Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated December 28, 1998, which was qualified because insufficient audit evidence exists to support the Village of Dixie Inn, Louisiana's disclosures with respect to the year 2000 issue. Except as discussed in the preceding sentence, 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 Village of Dixie Inn, Louisiana's general purpose 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 98-1.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Dixie Inn, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal

control over financial reporting and its operation that we consider to be reportable conditions. 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 Village of Dixie Inn, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings as items 98-2 and 98-3.

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 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 believe none of the reportable conditions described above is a material weakness.

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

*Samieson, Wise & Martin*

Minden, Louisiana  
December 28, 1998

VILLAGE OF DIXIE INN, LOUISIANA

SCHEDULE OF FINDINGS

Year Ended June 30, 1998

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**98-1 - VIOLATION OF LOAN COVENANTS**

*Condition:* Under the terms of the bond indentures for the outstanding Revenue Bonds of 1975, the Village agrees to maintain rates for services furnished by the Water and Sewer system that are sufficient to provide for operating expenses, debt service payments and reserve requirements. Although a water rate increase was instituted in June, 1997, the enterprise fund continued to incur a loss. For the year ended June 30, 1998, the enterprise fund incurred a loss before operating transfers in the amount of \$ 26,807.

*Recommendation:* The Village of Dixie Inn, Louisiana should continue to implement measures to eliminate the operating loss including expense reduction, additional water rate increases and other appropriate measures. We further suggest the Village adopt an accounting principle whereby depreciation expense for assets constructed with externally restricted resources can be closed directly to the contributed capital account for those assets as provided in GASB Codification Section G60.116.

**98-2 - SEGREGATION OF DUTIES**

*Condition:* There is an inadequate segregation of duties among personnel of the Village. Because of the limited number of employees, the office personnel perform incompatible functions; i.e., those that allow an error or irregularity that is material to the financial statements to occur and remain undetected.

*Recommendation:* The board of aldermen and management of the Village should be alert to the limitations on internal control and the risks to assets and financial reporting resulting from the lack of segregation of duties due to the limited number of personnel.

**98-3 - CUSTOMER METER DEPOSITS**

*Condition:* During our audit, we noted the list of meter deposits compiled by the outside billing service contracted by the Village did not agree with the balance shown as a liability for meter deposits.

*Recommendation:* We recommend the Village establish and maintain a listing of customers with deposits and the related dollar amounts which will agree with the liability recorded in the Village's general ledger.



VILLAGE OF DIXIE INN, LOUISIANA

CORRECTIVE ACTION PLAN

June 30, 1998

The Village of Dixie, Louisiana submits the following corrective action plan for the year ended June 30, 1998 for the Schedule of Findings. The findings are numbered consistently with the numbers assigned in the schedule.

**Finding 98-1 - VIOLATION OF LOAN COVENANTS**

**Recommendation:** The Village of Dixie Inn, Louisiana should continue to implement measures to eliminate the operating loss including expense reduction, additional water rate increases and other appropriate measures. We further suggest the Village adopt an accounting principle whereby depreciation expense for assets constructed with externally restricted resources can be closed directly to the contributed capital account for those assets as provided in GASB Codification Section G60.116.

**Action Taken:** In June, 1997, the Village implemented a water rate increase which had the effect of reducing the amount of the operating loss. The Village will consider the other measures suggested to eliminate the operating loss in the Enterprise fund.

**Finding 98-2 - SEGREGATION OF DUTIES**

**Recommendation:** The board of aldermen and management of the Village should be alert to the limitations on internal control and the risks to assets and financial reporting resulting from the lack of segregation of duties due to the limited number of personnel.

**Action Taken:** The board of aldermen and management of the Village are aware of the risks resulting from the inadequate segregation of duties and will be diligent in the review of the Village's operations and financial reporting. At this time, it is not cost-effective to hire additional personnel to improve the segregation of duties.

**Finding 98-3 - CUSTOMER METER DEPOSITS**

**Recommendation:** We recommend the Village establish and maintain a listing of customers with deposits and the related dollar amounts which will agree with the liability recorded in the Village's general ledger.

**Action Taken:** The Village will establish and maintain the customer meter deposits listing as suggested and will reconcile the listing with the general ledger liability account.

VILLAGE OF DIXIE INN, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 1998

Prior year audit findings for the year ended June 30, 1997 were as follows:

***INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS dated December 5, 1997***

**Finding - Segregation of Duties:** There is an inadequate segregation of duties among personnel of the Village of Dixie Inn. Because of the limited number of employees, the office personnel perform incompatible functions; i.e., those that allow an error or irregularity that is material to the financial statements to occur and remain undetected. It is noted that it is probably not cost-beneficial to the Village of Dixie Inn, Louisiana, to correct the deficiency.

**Current Status:** A similar finding for the year ended June 30, 1998 is noted in the Schedule of Findings under item 98-2.

***INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS dated December 5, 1997***

**Finding - Public Bid Law:** During our audit we tested expenditures between \$5,000 and \$10,000 and expenditures over \$10,000 to determine compliance with the state Public Bid Law. LSA-R.S. 38:2212 concerns Public Bid Law. The Village is to obtain at least 3(three) telephone or facsimile quotations on purchases between \$5,000 and \$10,000. For purchases over \$10,000, the Village is to let out for bids and award the contract to the lowest, responsible bidder. During our audit, we noticed one purchase between \$5,000 and \$10,000 that had only two quotations on file.

**Recommendation:** We recommend the Village retain evidence of a least 3 (three) quotations on file for purchases between \$5,000 and \$10,000 that are subject to the state Public Bid Law.

**Current Status:** The recommendation was followed. No similar findings were noted in the audit for the year ended June 30, 1998.

**Finding - Violation of Loan Covenants:** Under the terms of the bond indentures for the outstanding Revenue Bonds of 1975, the Village agrees to maintain rates for services furnished by the Water and Sewer system that are sufficient to provide for operating expenses, debt service payments and reserve requirements. For the year ended June 30, 1997, the enterprise fund showed a loss before operating transfers of \$41,115. We did note, however; that the Village did increase its water rates, by a resolution signed by the Board of Aldermen, beginning in June of 1997.

VILLAGE OF DIXIE INN, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

June 30, 1998

**Current Status:** The water rate increase resulted in a smaller operating loss for the year ended June 30, 1998. A similar finding for the year ended June 30, 1998 is noted in the Schedule of Findings under item 98-1.

***MANAGEMENT LETTER dated December 5, 1997***

**Finding - Dual Signature:** During our audit, we noted two checks that had only one signature.

**Recommendation:** We recommend that the Village ensure that all invoices are properly approved and the check is signed by two (2) persons authorized to sign checks for the Village, as dictated by Village policy.

**Current Status:** The recommendation was followed. No similar findings were noted in the audit for the year ended June 30, 1998.

**Finding - Customer Meter Deposit:** During our audit, we noted that the list of meter deposits compiled by the outside billing service contracted by the Village did not agree with the balance shown as a liability for meter deposits.

**Recommendation:** Although the difference was immaterial to the financial statements, we recommend that the Village compile a listing of customers with deposits and the related dollar amounts that agree with the liability on the books of the Village.

**Current Status:** A similar finding for the year ended June 30, 1998 is noted in the Schedule of Findings under item 98-3.

**Finding - Expenditures:** During our testwork, we noted several expenditures, as listed below, that we could not determine whether they were for an appropriate Village use.

1. Lowes- \$29.92 for a fire security case
2. Chadwicks- \$49.00 for clothing
3. Dixie Paper Co.- \$26.00 for paper bags

**Recommendation:** We recommend that the council review all invoices and approve for payment only expenditures that the council is certain, and have supporting documentation to prove, are for the use of the Village. Additionally, we recommend that the council investigate any and all purchases that do not appear to be for Village use.

**Current Status:** The items listed above were reimbursed and similar expenditures subsequent to the prior year audit, which in total were immaterial to the financial statements, were investigated by the board of aldermen and other appropriate authorities and were appropriately resolved.

VILLAGE OF DIXIE INN, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

June 30, 1998

**Finding - Local Government Budget Laws:** During our testwork, we noted that total actual expenditures compared to total budgeted expenditures and total actual revenues compared to total budgeted revenues were within the 5% variance requirement of LSA-R.S. 39:13110. However, we did note that several line items within the budget had a variance of more than 5%.

**Recommendation:** The Village should review and amend line items within the budget on a periodic basis whenever a greater than 5% variance exists.

**Current Status:** The recommendation was followed. No similar findings were noted in the audit for the year ended June 30, 1998.

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

VILLAGE OF DIXIE INN, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups  
June 30, 1998

	Governmental Fund Types		Proprietary Fund	Account Group	Totals (Memorandum Only)
	General	Capital Projects	Enterprise	General Fixed Assets	
<b>Assets</b>					
Cash	\$ 46,311	8	5,403	-	51,722
Certificates of deposit	56,864	-	-	-	56,864
Receivables	22,179	61,585	8,248	-	92,012
Due from other funds	11,258	-	-	-	11,258
Prepaid expenditures	10,227	-	-	-	10,227
Restricted assets - cash	-	-	41,372	-	41,372
Land	-	-	-	4,000	4,000
Buildings	-	-	-	48,420	48,420
Improvements other than buildings	-	-	-	254,291	254,291
Equipment	-	-	-	115,928	115,928
Construction in process	-	-	251,887	-	251,887
Enterprise fund property, plant and equipment	-	-	748,584	-	748,584
Accumulated depreciation	-	-	(354,404)	-	(354,404)
<b>Total assets</b>	<b>\$ 146,839</b>	<b>61,593</b>	<b>701,090</b>	<b>422,639</b>	<b>1,332,161</b>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 4,157	61,585	1,585	-	67,327
Accrued liabilities	1,633	-	736	-	2,369
Due to other funds	-	-	11,258	-	11,258
Payable from restricted assets -					
Meter deposits	-	-	11,949	-	11,949
Revenue bonds	-	-	6,739	-	6,739
Accrued interest	-	-	5,248	-	5,248
Revenue bonds payable	-	-	129,161	-	129,161
<b>Total liabilities</b>	<b>5,790</b>	<b>61,585</b>	<b>166,676</b>	<b>-</b>	<b>234,051</b>
<b>Fund equity:</b>					
Contributed equity	-	-	590,017	-	590,017
Investment in general fixed assets	-	-	-	422,639	422,639
Retained earnings (deficit) -					
Reserved	-	-	17,436	-	17,436
Unreserved	-	-	(73,039)	-	(73,039)
Fund balances - unreserved - undesignated	141,049	8	-	-	141,057
<b>Total fund equity</b>	<b>141,049</b>	<b>8</b>	<b>534,414</b>	<b>422,639</b>	<b>1,098,110</b>
<b>Total liabilities and fund equity</b>	<b>\$ 146,839</b>	<b>61,593</b>	<b>701,090</b>	<b>422,639</b>	<b>1,332,161</b>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF DIXIE INN, LOUISIANA

Combined Statement of Revenues, Expenditures and Changes  
in Fund Balances - All Governmental Fund Types  
Year Ended June 30, 1998

	General Fund	Capital Projects	Totals (Memorandum Only)
Revenues:			
Occupational licenses	\$ 20,689	-	20,689
Utility and franchise taxes	7,342	-	7,342
Intergovernmental -			-
Tobacco taxes	3,376	-	3,376
Beer taxes	20,698	-	20,698
Video poker fees	9,095	-	9,095
Grants	13,375	251,887	265,262
Fines and forfeits	30,860	-	30,860
Sales tax	132,345	-	132,345
Miscellaneous	4,031	-	4,031
<b>Total revenues</b>	<b>241,811</b>	<b>251,887</b>	<b>493,698</b>
Expenditures:			
General government	119,863	-	119,863
Public safety	54,654	-	54,654
Capital outlay	40,248	251,887	292,135
<b>Total expenditures</b>	<b>214,765</b>	<b>251,887</b>	<b>466,652</b>
<b>Excess of revenues over expenditures</b>	<b>27,046</b>	<b>-</b>	<b>27,046</b>
Other financing sources (uses):			
Operating transfers in	-	8	8
Operating transfers out	(16,304)	-	(16,304)
<b>Total other financing (uses)</b>	<b>(16,304)</b>	<b>8</b>	<b>(16,296)</b>
<b>Excess (deficiency) of revenues over expenditures and other uses</b>	<b>10,742</b>	<b>8</b>	<b>10,750</b>
<b>Fund balance, beginning of year</b>	<b>130,307</b>	<b>-</b>	<b>130,307</b>
<b>Fund balance, end of year</b>	<b>\$ 141,049</b>	<b>8</b>	<b>141,057</b>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF DIXIE INN, LOUISIANA

Statement of Revenues, Expenditures and Changes  
in Fund Balances - Budget (GAAP Basis) and Actual -  
General Fund  
Year Ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Occupational licenses	\$ 15,000	20,689	5,689
Utility and franchise taxes	6,500	7,342	842
Intergovernmental -			
Tobacco taxes	1,800	3,376	1,576
Beer taxes	16,000	20,698	4,698
Video poker fees	7,000	9,095	2,095
Grants	-	13,375	13,375
Fines and forfeits	26,000	30,860	4,860
Sales tax	115,000	132,345	17,345
Miscellaneous	14,000	4,031	(9,969)
	<u>201,300</u>	<u>241,811</u>	<u>40,511</u>
<b>Expenditures:</b>			
General government	139,850	119,863	19,987
Public safety	61,869	54,654	7,215
Capital outlay	32,000	40,248	(8,248)
	<u>233,719</u>	<u>214,765</u>	<u>18,954</u>
Excess (deficiency) of revenues over expenditures	<u>(32,419)</u>	<u>27,046</u>	<u>59,465</u>
<b>Other financing (uses):</b>			
Operating transfers to -			
Capital Projects fund	-	(8)	(8)
Enterprise fund	(30,000)	(16,296)	13,704
	<u>(30,000)</u>	<u>(16,304)</u>	<u>13,696</u>
Excess (deficiency) of revenues over expenditures and other uses	<u>(62,419)</u>	<u>10,742</u>	<u>73,161</u>
Fund balance, beginning of year	<u>70,708</u>	<u>130,307</u>	<u>59,599</u>
Fund balance, end of year	<u>\$ 8,289</u>	<u>141,049</u>	<u>132,760</u>

The accompanying notes to financial statements are an integral part of this statement.



VILLAGE OF DIXIE INN, LOUISIANA

Statement of Revenues, Expenses and Changes  
in Retained Earnings - Proprietary Fund Type  
Year Ended June 30, 1998

Operating revenues:	
Water	\$ 33,972
Sewerage	16,879
Total operating revenues	<u>50,851</u>
Operating expenses:	
Water department	18,407
Sewer department	21,563
General and administrative	31,766
Total operating expenses	<u>71,736</u>
Operating loss	(20,885)
Nonoperating revenue (expense):	
Garbage collection income	16,080
Garbage collection fees	(16,080)
Interest income	703
Interest expense	(6,880)
Other income	255
Total nonoperating (expenses)	<u>(5,922)</u>
Loss before operating transfers	(26,807)
Operating transfers from -	
General fund	16,296
Total operating transfers	<u>16,296</u>
Net loss	(10,511)
Retained deficit - beginning of year	<u>(45,092)</u>
Retained deficit - end of year	<u><u>\$ (55,603)</u></u>

The accompanying notes to financial statements are an integral part of this statement

VILLAGE OF DIXIE INN, LOUISIANA

Statement of Cash Flow  
 Proprietary Fund Type  
 Year Ended June 30, 1998

Cash flows from operating activities:	
Cash received from customers	\$ 50,114
Cash payments for supplies and services	(27,071)
Cash payments for salaries	(23,774)
Other operating revenue	255
Net cash used by operating activities	<u>(476)</u>
Cash flows from noncapital financing activities:	
Net increase in meter deposits	2,183
Cash operating transfers in from other funds	16,296
Cash received from garbage collection fees	16,080
Cash paid for garbage collection	(16,080)
Net cash provided by noncapital financing activities	<u>18,479</u>
Cash flows from capital and related financing activities:	
Principal paid on revenue bonds	(4,941)
Interest paid on revenue bonds	(6,880)
Acquisition of property, plant and equipment	(1,274)
Net cash used for capital and related financing activities	<u>(13,095)</u>
Cash flows from investing activities:	
Interest on interest-bearing deposits	<u>703</u>
Net increase in cash and cash equivalents	5,611
Cash and cash equivalents at beginning of year	<u>41,164</u>
Cash and cash equivalents at end of year	<u>\$ 46,775</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating loss	\$ (20,885)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	19,831
Other operating income	255
Changes in assets and liabilities -	
Decrease in accounts payable	(507)
Increase in accrued liabilities	87
Increase in due to other funds	1,480
Increase in accounts receivable	(737)
Net cash used by operating activities	<u>\$ (476)</u>

The accompanying notes to the financial statements are an integral part of this statement.

## VILLAGE OF DIXIE INN, LOUISIANA

### Notes to Financial Statements

June 30, 1998

The Village of Dixie Inn, Louisiana (the Village), was incorporated August 8, 1962, under the provisions of the Lawrason Act. The Village is located in the Parish of Webster, being in the northwest corner of the State of Louisiana.

Elected officials of the Village of Dixie Inn are a mayor, three (3) aldermen, and a chief of police, who are elected every four years. The affairs of the Village are conducted and managed by the mayor and the board of aldermen.

#### 1. Summary of significant accounting policies

Basis of presentation - The accounting and reporting policies of the Village conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidelines set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

Reporting entity - As the municipal governing authority, for reporting purposes, the Village of Dixie Inn is considered a separate financial reporting entity. Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Village of Dixie Inn for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB 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
  - 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.

VILLAGE OF DIXIE INN, LOUISIANA

Notes to Financial Statements

June 30, 1998

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 foregoing criteria, the Village of Dixie Inn is not required to include any component units for financial reporting purposes.

Fund accounting - The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into categories as follows:

Governmental Funds -

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources, except those required to be accounted for in another fund.

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

Proprietary Fund -

Enterprise Fund - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that 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.

## VILLAGE OF DIXIE INN, LOUISIANA

### Notes to Financial Statements

June 30, 1998

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 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 governmental funds use the following practices in recording revenues and expenditures:

*Revenues* - generally recognized when they become measurable and available as net current assets. *Sales tax revenues* are recognized in the month which they are collected by the Webster Parish School Board. Revenues such as traffic fines and occupational licenses are recognized when received, due to the difficulty in measuring amounts to be received.

*Expenditures* - generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that accumulated unpaid vacation and sick pay are not accrued due to the amount being immaterial. Purchase of various operating supplies are regarded as expenditures at the time purchased.

*Other Financing Sources (Uses)* - Transfers between funds that are not expected to be repaid (and any other financing source/use) are accounted for as other financing sources (uses).

All proprietary funds 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 sheet. The proprietary fund uses the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

Budgets and budgetary accounting - The Village follows these procedures in establishing the budgetary data reflected in these financial statements:

- a) The Village Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
- b) The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

## VILLAGE OF DIXIE INN, LOUISIANA

### Notes to Financial Statements

June 30, 1998

- c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- d) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
- e) Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated require the approval of the Board of Aldermen.
- f) All budgetary appropriations lapse at the end of each fiscal year.
- g) Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts, as originally adopted, are amended from time to time by the Board of Aldermen. Such amendments are not material in relation to the original appropriations.

For the capital projects fund, a budget was prepared for the total cost of the LCDBG project - water improvements. However, due to the fact that this budget was prepared for all years necessary for project completion, a budget is not presented for the capital projects fund for the year ended June 30, 1998.

Encumbrance accounting - The Village of Dixie Inn does not employ encumbrance accounting.

Cash and cash equivalents - For reporting purposes, cash and cash equivalents include cash, demand deposits and certificates of deposit. Cash and cash equivalents are stated at cost. Under state law, the municipality may deposit funds in demand deposits, interest-bearing deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Interfund receivable/payable and transfers - 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. Interfund transfers which are not expected to be repaid are shown as operating transfers.

Prepaid expenditure - For the year ended June 30, 1998, the Village of Dixie Inn's prepaid expenditure was \$ 10,227 for insurance coverage.

# VILLAGE OF DIXIE INN, LOUISIANA

## Notes to Financial Statements

June 30, 1998

Fixed assets and long-term liabilities - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. Certain public domain infrastructure assets, such as street improvements, have been recorded as fixed assets in the General Fixed Asset Account Group. No depreciation has been provided on general fixed assets.

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 the proprietary fund is charged as an expense against its operations.

Depreciation has been provided over the estimated useful lives of the assets, using the straight-line method. The estimated useful lives are as follows:

Water Utility -	
Wells	40 years
Water works plant	40 years
Lines and meters	40 years
Sewer Utility -	
Sewer plant	40 years
Equipment	3-5 years

All fixed assets are stated at historical cost.

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

Bad Debts - The Village considers substantially all customers' utility receivables to be fully collectible; accordingly, an allowance for doubtful accounts is not required. If amounts become uncollectible, they are charged to operations when that determination is made.

VILLAGE OF DIXIE INN, LOUISIANA

Notes to Financial Statements

June 30, 1998

Fund Equity

Contributed Capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when 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.

Sales taxes - The Village receives proceeds from a two percent sales and use tax, the revenue from which may be used for any lawful corporate purpose.

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

2. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Restricted assets were applicable to the following at June 30, 1998:

Enterprise Fund	
Bond reserve account	\$ 14,487
Bond contingency account	3,615
Meter deposits	11,949
Bond sinking fund - savings account	<u>11,321</u>
Total restricted assets - enterprise fund	<u>\$41,372</u>



VILLAGE OF DIXIE INN, LOUISIANA

Notes to Financial Statements

June 30, 1998

3. Net Working Capital - Enterprise Fund

Net working capital - Enterprise Fund at June 30, 1998, is shown below:

Current assets	\$ 13,651
Current liabilities	<u>(13,579)</u>
Net working capital	<u>\$ 72</u>

4. Changes in general fixed assets

A summary of changes in general fixed assets is presented below:

	<u>Balance</u> <u>July 1, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1998</u>
Land	\$ 4,000	-	-	4,000
Buildings	22,998	25,422	-	48,420
Construction in process	5,632	17,761	23,393	-
Improvements other than buildings	240,916	13,375	-	254,291
Equipment	<u>108,845</u>	<u>7,083</u>	<u>-</u>	<u>115,928</u>
Total general fixed assets	<u>\$382,391</u>	<u>63,641</u>	<u>23,393</u>	<u>422,639</u>

VILLAGE OF DIXIE INN, LOUISIANA

Notes to Financial Statements

June 30, 1998

A summary of changes in the Utility Fund property, plant and equipment is presented below:

<u>Description</u>	<u>Balance</u> <u>July 1, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1998</u>
Water works plant	\$183,093	-	-	183,093
Water wells	37,225	-	-	37,225
Sampling stations	2,110	-	-	2,110
Sewer plant	461,052	1,274	-	462,326
Road	18,838	-	-	18,838
Building	3,000	-	-	3,000
Fence	2,437	-	-	2,437
Equipment	19,463	-	-	19,463
Land	1,045	-	-	1,045
Drainage ditches	19,047	-	-	19,047
Construction in process	<u>-</u>	<u>251,887</u>	<u>-</u>	<u>251,887</u>
 Total	 <u>\$747,310</u>	 <u>253,161</u>	 <u>-</u>	 <u>1,000,471</u>

The construction in process is water improvements funded by a Louisiana Community Development Block Grant. The grant proceeds and expenditures are accounted for in the capital projects fund. The construction in process is treated as a contribution to the Utility Fund.

5. Changes in long-term debt

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

	Revenue
	<u>Bonds</u>
Bonds or note payable, July 1, 1997	\$ 140,842
Bonds retired	<u>(4,942)</u>
 Bonds or note payable, June 30, 1998	 <u>\$ 135,900</u>

VILLAGE OF DIXIE INN, LOUISIANA

Notes to Financial Statements

June 30, 1998

Bonds payable at June 30, 1998, are comprised of the following individual issues:

Revenue Bonds:

\$181,000 Water and Sewer Utilities Revenue Bonds, dated October 23, 1975; due in annual installments of \$10,636; interest at 5%.	\$123,878
\$20,000 Water and Sewer Utilities Revenue Completion Bond, Series 1978, of the Village of Dixie Inn; due in annual in- stallments of \$1,186; interest at 5%.	<u>12,022</u>
	<u>\$135,900</u>

The annual requirements to amortize all debt outstanding as of June 30, 1998, including interest payments of \$ 71,650, are as follows:

	Year ending <u>June 30</u>
1998	\$ 11,822
1999	11,822
2000	11,822
2001	11,822
2002	11,822
Thereafter	<u>148,440</u>
	<u>\$207,550</u>

6. Retained deficit balance

The Enterprise Fund had a retained deficit balance of \$ 55,603 at June 30, 1998.

7. Retirement commitments

All employees of the Village of Dixie Inn are covered by the Federal Social Security System.

VILLAGE OF DIXIE INN, LOUISIANA

Notes to Financial Statements

June 30, 1998

**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 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 produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

*Funding Policy.* Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Village of Dixie Inn is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the Village of Dixie Inn 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 Village of Dixie Inn contributions to the System for the year ending June 30, 1998 was \$ 3,688, equal to the required contributions for each year.

8. Flow of funds; restrictions on use - water and sewer system revenues

Under the terms of the bond indenture for the outstanding Revenue Bonds of 1975, all income and revenues earned or derived from the operation of the water and sewer system are pledged and dedicated to the retirement of said bonds and are to be maintained and administered in the following order of priority and for the following express purposes:

VILLAGE OF DIXIE INN, LOUISIANA

Notes to Financial Statements

June 30, 1998

- (a) The payment of all reasonable expenses of administration, operation and maintenance of the water and sewer system.
- (b) Each month, there will be set aside into an account called the "Bond and Interest Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.
- (c) There shall also be set aside into a "Bond Reserve Account" an amount equal to 5% of the payments required to be made to the Bond and Interest Sinking Fund.

The funds available in the Bond Reserve Account may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Redemption Account and as to which there would otherwise be default.

- (d) Each fiscal year \$600 shall be set aside into a "Bond Contingency Account" until there shall have been accumulated in the account an amount equal to \$24,000. Money in this account may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond accounts.
- (e) All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above-noted accounts shall be regarded as surplus and may be used for any lawful corporate purpose.

VILLAGE OF DIXIE INN, LOUISIANA

Notes to Financial Statements

June 30, 1998

9. Cash and Cash Equivalents

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

Petty cash	\$ 50
Demand deposits	36,728
Interest-bearing deposits	56,316
Certificates of deposit	<u>56,864</u>
 Total	 <u>\$149,958</u>

These deposits are stated at cost, which approximates market. Under state law, these 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.

At June 30, 1998, the Village has \$153,699 in collected bank balances. These deposits are secured from risk by \$100,000 of federal deposit insurance and \$100,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, 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 that the fiscal agent has failed to pay deposited funds upon demand.

VILLAGE OF DIXIE INN, LOUISIANA

Notes to Financial Statements

June 30, 1998

10. Interfund assets/liabilities

The following is a summary of due to/from other funds and operating transfers at June 30, 1998:

	<u>Due To</u>	<u>Due From</u>	<u>Operating To</u>	<u>Transfers From</u>
General fund	\$ 11,258	-	-	16,296
Capital projects fund	-	-	8	8
Utility fund	-	<u>11,258</u>	<u>16,296</u>	-
Total	<u>\$ 11,258</u>	<u>11,258</u>	<u>16,304</u>	<u>16,304</u>

11. Receivables

The following is a summary of receivables for June 30, 1998:

<u>Class of receivable</u>	General	Capital Projects	Enterprise
Taxes:			
Sales & use	\$ 10,869	-	-
Beer	5,258	-	-
Tobacco	469	-	
Intergovernmental - grants:			
Federal-	-	61,585	-
Intergovernmental - fees:			
Video Poker	3,720	-	-
Interest receivable	1,863	-	-
Utility fund charges	-	-	<u>8,248</u>
Total	<u>\$ 22,179</u>	<u>61,585</u>	<u>8,248</u>

## VILLAGE OF DIXIE INN, LOUISIANA

### Notes to Financial Statements

June 30, 1998

#### 12. Risk Concentrations

A majority of the Village's sales tax revenue receipts are derived from approximately five(5) merchants within the Village limits.

#### 13. Year 2000 Issue

Year 2000 is an issue arising from computers being programmed in prior years to use only two digits (under the assumption that the first two digits would always be 19) to identify the year when processing date-sensitive information. This method of identifying dates could cause problems when processing information with dates in the year 2000 or later. As a result, the systems that use only two digits to identify dates could process data incorrectly or stop functioning altogether. The effects of the year 2000 problem is expected to extend beyond systems that produce financial information. It encompasses all computer systems and any equipment that is dependent on microchip technology.

The Village of Dixie provides public services, public safety and various other public works to its citizens. The execution of these services generally does not rely upon microchip technology since these services are not automated in nature. However, the effect of the year 2000 issue upon the Village's vendors, revenue sources, grantors, and other entities with which it conducts business has not been determined. As a result, the effect of any of these entities' non-compliance with the year 2000 issue upon the Village has also not been determined.

For the year ended June 30, 1998, the Village of Dixie Inn incurred no material remediation costs concerning the year 2000 issue. No significant loss due to impairment of equipment that is not year 2000 compliant was recognized for the year ended June 30, 1998.



SELECTED FINANCIAL STATEMENTS  
OF INDIVIDUAL FUNDS  
AND ACCOUNT GROUPS

## GENERAL FUND

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

VILLAGE OF DIXIE INN, LOUISIANA  
GENERAL FUND

Schedule of Expenditures by Departments Compared to Budget (GAAP Basis)  
Year Ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>General Government:</b>			
Mayor's salary	\$ 12,000	11,700	300
Other salary	9,000	7,580	1,420
Payroll taxes	4,500	4,283	217
Office expense	2,000	1,646	354
Telephone	3,500	5,708	(2,208)
Supplies	20,000	11,242	8,758
Legal and accounting	9,000	8,601	399
Publication of minutes	2,200	2,011	189
Utilities	6,000	6,345	(345)
Insurance	20,000	15,278	4,722
Dues and subscriptions	2,000	2,647	(647)
Equipment and maintenance	5,000	1,995	3,005
Building maintenance	550	764	(214)
Gas and oil	3,500	3,505	(5)
Alderman fees	4,000	3,225	775
Taxes and licenses	100	196	(96)
Sales tax commission	1,500	1,295	205
Miscellaneous	35,000	31,842	3,158
	<u>139,850</u>	<u>119,863</u>	<u>19,987</u>
<b>Total general government</b>			
<b>Public safety:</b>			
<i>Police -</i>			
Salary	35,000	34,950	50
Retirement	-	3,688	(3,688)
Gas and oil	6,369	2,275	4,094
Equipment maintenance	5,000	2,907	2,093
Insurance	6,000	2,523	3,477
Miscellaneous	9,500	8,311	1,189
	<u>61,869</u>	<u>54,654</u>	<u>7,215</u>
<b>Total public safety</b>			
Capital outlay	<u>32,000</u>	<u>40,248</u>	<u>(8,248)</u>
<b>Total expenditures</b>	<u><u>\$ 233,719</u></u>	<u><u>214,765</u></u>	<u><u>18,954</u></u>

The accompanying notes to financial statements are an integral part of this statement.

## ENTERPRISE FUND

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

VILLAGE OF DIXIE INN, LOUISIANA  
ENTERPRISE FUND  
UTILITY FUND

Schedule of Expenses by Departments  
Year Ended June 30, 1998

Water department expenses:	
Utilities	\$ 2,988
Plant and line maintenance	2,471
Chemicals	1,906
Depreciation	7,812
Gas and oil	1,464
Monitoring service	840
Supplies	193
Fees	733
Total water department expenses	<u>18,407</u>
Sewer department expenses:	
Utilities	5,415
Plant and line maintenance	1,982
Chemicals	2,147
Depreciation	12,019
Total sewer department expenses	<u>21,563</u>
General and administrative expenses:	
Salaries	25,340
Legal and accounting	2,100
Payroll taxes	1,541
Office expense	2,057
Other	728
Total general and administrative expenses	<u>31,766</u>
Total operating expenses	<u>\$ 71,736</u>

The accompanying notes to financial statements are an integral part of this statement.

**GENERAL FIXED ASSETS ACCOUNT GROUP**

VILLAGE OF DIXIE INN, LOUISIANA

Statement of General Fixed Assets  
June 30, 1998

General fixed assets, at cost:	
Land	\$ 4,000
Buildings	48,420
Improvements other than building	254,291
Equipment	115,928
Construction in process	<u>-</u>
Total general fixed assets	<u>\$ 422,639</u>
Investment in general fixed assets:	
Property acquired prior to 7/1/72*	\$ 6,706
Property acquired after 7/1/72 from -	
General fund revenues	182,731
Federal revenue sharing fund	2,787
Sales tax fund revenues	56,794
LCDBG revenues	<u>173,621</u>
Total investment in general fixed assets	<u>\$ 422,639</u>

\*Records reflecting source from which assets were acquired were not maintained prior to 7/1/72.

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF DIXIE INN, LOUISIANA

Statement of Changes in General Fixed Assets  
Year Ended June 30, 1998

	<u>Land</u>	<u>Building</u>	<u>Improvements other than Buildings</u>	<u>Equipment</u>	<u>Construction in Process</u>	<u>Total</u>
General fixed assets, beginning of year	\$ 4,000	22,998	240,916	108,845	5,632	382,391
Additions:						
General fund revenue	-	25,422	13,375	7,083	17,761	63,641
Total additions	-	25,422	13,375	7,083	17,761	63,641
Deletions	-	-	-	-	23,393	23,393
General fixed assets, end of year	<u>\$ 4,000</u>	<u>48,420</u>	<u>254,291</u>	<u>115,928</u>	<u>-</u>	<u>422,639</u>

The accompanying notes to financial statements are an integral part of this statement.



VILLAGE OF DIXIE INN, LOUISIANA  
SCHEDULE OF BOARD OF ALDERMEN COMPENSATION  
Year Ended June 30, 1998

Ava Nell McWhorter	\$ 1,075
James Hubbard	1,075
Pauline Fontenot	<u>1,075</u>
Total	<u><u>\$ 3,225</u></u>

The accompanying notes to the financial statements are an integral part of this statement.