

TOWN OF JENA

JENA, LOUISIANA

DECEMBER 31, 1998

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Release Date JUL 24 1999

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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TOWN OF JENA, LOUISIANA

DECEMBER 31, 1998

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Dale Willis, Mayor, and
Members of the Town Council
Town of Jena, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Jena, Louisiana, as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Jena's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Jena, Louisiana, as of December 31, 1998, and the results of its operations and the 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 our report dated May 17, 1999, on our consideration of the Town of Jena's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

MARVIN A. JUNEAU, C.P.A.	ROBERT L. LITTON, C.P.A.	REBECCA B. MORRIS, C.P.A.
H. FRED RANDOW, C.P.A.	ROBERT W. DVORAK, C.P.A.	MICHAEL A. JUNEAU, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and Town Council
Town of Jena, Louisiana

The year 2000 supplementary information on page 27 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Town of Jena is or will become year 2000 compliant, that the Town's year 2000 remediation efforts will be successful in whole or in part, or that parties with whom the Town does business are or will become year 2000 compliant.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Town of Jena, Louisiana, taken as a whole. The individual fund and account group financial statements and schedules listed in the table of contents, including the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Jena, Louisiana. Such information, except for the schedule of insurance in force marked "unaudited", has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Payne, Moore & Herrington, LLP
Certified Public Accountants

May 17, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements, which include all funds and account groups of the Town, are designed to provide an overview of the financial position and results of operations for the municipality as a whole. Additional information in the form of individual fund and account group statements and schedules is included elsewhere in this report, to the extent such presentation expands on the financial information presented in these general purpose financial statements.

TOWN OF JENA, LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
 DECEMBER 31, 1998

EXHIBIT A
 (Continued)

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	ACCOUNT GROUP			TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS		GENERAL	FIXED ASSETS	MEMORANDUM ONLY	
	\$	\$	\$		\$	\$	\$	
ASSETS								
Cash	\$ 37,478	\$ 442,164	\$ 100	\$ 65,562		\$ 545,304		
Investments	34,551			1,069,807		1,104,358		
Receivables (Net of allowance for doubtful accounts)								
Accounts	7,939			166,284		174,223		
Taxes	5,975					5,975		
Intergovernmental	33,429	106,695		3,470		143,594		
Other				20,548		20,548		
Due from other funds				42,705		42,705		
Prepaid expenses				20,780		20,780		
Inventory				84,769		84,769		
Restricted assets				418,212		418,212		
Fixed Assets (Net, where applicable, of accumulated depreciation)				6,134,747	1,773,404	7,908,151		
TOTAL ASSETS	<u>\$119,372</u>	<u>\$442,164</u>	<u>\$106,795</u>	<u>\$8,026,884</u>	<u>\$1,773,404</u>	<u>\$10,468,619</u>		

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

TOWN OF JENA, LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
 DECEMBER 31, 1998

EXHIBIT A
 (Concluded)

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE		ACCOUNT GROUP	
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	FIXED ENTERPRISE	GENERAL	ASSETS	TOTALS (MEMORANDUM ONLY)
LIABILITIES, EQUITY, AND OTHER CREDITS							
LIABILITIES							
Accounts and contracts payable	\$ 21,858	\$ 44,838	\$ 106,695	\$ 84,536			\$ 257,927
Accrued expenses	145			13,119			13,264
Due to other funds		42,705					42,705
Liabilities payable from restricted assets				228,667			228,667
Sales tax bond				<u>2,030,000</u>			<u>2,030,000</u>
Total Liabilities	<u>22,003</u>	<u>87,543</u>	<u>106,695</u>	<u>2,356,322</u>	-0-		<u>2,572,563</u>
EQUITY AND OTHER CREDITS							
Investment in general fixed assets					1,773,404		1,773,404
Contributed capital				2,922,168			2,922,168
Retained earnings							
Reserved				189,545			189,545
Unreserved				2,558,849			2,558,849
Fund balance							
Unreserved							
Designated	34,551						34,551
Undesignated	<u>62,818</u>	<u>354,621</u>	<u>100</u>				<u>417,539</u>
Total Equity and Other Credits	<u>97,369</u>	<u>354,621</u>	<u>100</u>	<u>5,670,562</u>	<u>1,773,404</u>		<u>7,896,056</u>
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS	<u>\$119,372</u>	<u>\$442,164</u>	<u>\$106,795</u>	<u>\$8,026,884</u>	<u>\$1,773,404</u>		<u>\$10,468,619</u>

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

TOWN OF JENA, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED DECEMBER 31, 1998

EXHIBIT B

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
REVENUES				
Taxes	\$ 126,013	\$ 504,228	\$	\$ 630,241
Licenses and permits	125,078			125,078
Intergovernmental	90,260		870,905	961,165
Charges for services	165,783			165,783
Fines and forfeitures	38,700			38,700
Interest	108	11,403		11,511
Other	3,700			3,700
Total Revenues	<u>549,642</u>	<u>515,631</u>	<u>870,905</u>	<u>1,936,178</u>
EXPENDITURES				
Current				
General government	178,232	50,486		228,718
Public safety	323,368			323,368
Public works	216,695			216,695
Capital outlay	<u>48,545</u>	<u>341,975</u>	<u>870,905</u>	<u>1,261,425</u>
Total Expenditures	<u>766,840</u>	<u>392,461</u>	<u>870,905</u>	<u>2,030,206</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(217,198)	123,170	-0-	(94,028)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	279,723			279,723
Operating transfers out	<u> </u>	<u>(164,927)</u>	<u> </u>	<u>(164,927)</u>
Total Other Financing Sources (Uses)	<u>279,723</u>	<u>(164,927)</u>	<u>-0-</u>	<u>114,796</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	62,525	(41,757)	-0-	20,768
FUND BALANCES, BEGINNING OF YEAR	<u>34,844</u>	<u>396,378</u>	<u>100</u>	<u>431,322</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 97,369</u>	<u>\$ 354,621</u>	<u>\$ 100</u>	<u>\$ 452,090</u>

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

TOWN OF JENA, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 1998

EXHIBIT C

	GENERAL FUND		SPECIAL REVENUE FUND		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	BUDGET	ACTUAL	
REVENUES					
Taxes	\$ 121,700	\$ 126,013	\$ 450,000	\$ 504,228	\$ 54,228
Licenses and permits	110,350	125,078			
Intergovernmental	65,000	90,260			
Charges for services	165,750	165,783			
Fines and fees	40,000	38,700			
Interest	14,825	108	6,000	11,403	5,403
Other	517,625	3,700	456,000	515,631	59,631
Total Revenues		<u>549,642</u>		<u>515,631</u>	
EXPENDITURES					
Current					
General government	178,198	178,232	20,000	50,486	(30,486)
Public safety	328,136	323,368			4,768
Public works	238,849	216,695			22,154
Capital outlay	44,859	48,545	400,000	341,975	58,025
Total Expenditures	<u>790,042</u>	<u>766,840</u>	<u>420,000</u>	<u>392,461</u>	<u>27,539</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(272,417)	(217,198)	36,000	123,170	87,170
OTHER FINANCING SOURCES (USES)					
Operating transfers in	272,417	279,723	(421,750)	(164,927)	256,823
Operating transfers out			(421,750)	(164,927)	256,823
Total Other Financing Sources (Uses)	<u>272,417</u>	<u>279,723</u>			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	62,525	(385,750)	(41,757)	343,993
FUND BALANCES, BEGINNING OF YEAR	<u>34,844</u>	<u>34,844</u>	<u>396,378</u>	<u>396,378</u>	<u>-0-</u>
FUND BALANCES, END OF YEAR	<u>\$ 34,844</u>	<u>\$ 97,369</u>	<u>\$ 10,628</u>	<u>\$ 354,621</u>	<u>\$343,993</u>

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

TOWN OF JENA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 1998

EXHIBIT D

OPERATING REVENUES	
Charges for services	
Water department	\$ 247,715
Gas department	669,090
Sewer department	170,386
State grant	1,523
Other	<u>33,642</u>
Total Operating Revenues	1,122,356
OPERATING EXPENSES	
Water department	226,808
Gas department	589,820
Sewer department	207,245
Depreciation	<u>238,282</u>
Total Operating Expenses	<u>1,262,155</u>
OPERATING LOSS	(139,799)
NONOPERATING REVENUES (EXPENSES)	
Interest income	73,200
Interest expense and fiscal charges	<u>(96,825)</u>
Total Nonoperating Revenues (Expenses)	<u>(23,625)</u>
LOSS BEFORE OPERATING TRANSFERS	(163,424)
OPERATING TRANSFERS IN (OUT)	
Operating transfers in	164,927
Operating transfers out	<u>(279,723)</u>
Total Operating Transfers In (Out)	<u>(114,796)</u>
NET LOSS	(278,220)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>3,026,614</u>
<u>RETAINED EARNINGS, END OF YEAR</u>	<u>\$2,748,394</u>

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

TOWN OF JENA, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 1998

EXHIBIT E

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (139,799)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	238,282
Bad debts	2,291
Changes in assets and liabilities	
Customer receivables	11,945
Intergovernmental receivables	8,394
Other receivables	(3,046)
Prepaid expenses	2,958
Due from other funds	3,237
Inventory	(5,208)
Accounts payable	5,069
Accrued expenses	(14,442)
Meter deposits	6,213
Net Cash Provided by Operating Activities	<u>115,894</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	36,763
Operating transfers out	<u>(279,723)</u>
Net Cash Used in Noncapital Financing Activities	(242,960)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of property, plant, and equipment	(1,309,706)
Contributed capital - State Grant	48,688
Contributed capital - Federal Grant	870,905
Contributed capital - Sales tax	341,976
Operating transfer in - Sales Tax Special Revenue Fund for debt service	128,164
Payment of principal on long-term debt	(100,000)
Interest paid	<u>(96,825)</u>
Net Cash Used in Capital Financing Activities	(116,798)
CASH FLOWS FROM INVESTING ACTIVITIES	
Redemption of investments	50,000
Purchase of investments	(201,500)
Interest received	<u>73,200</u>
Net Cash Provided by Investing Activities	(78,300)
DECREASE IN CASH	(322,164)
CASH, BEGINNING OF YEAR	<u>604,438</u>
<u>CASH, END OF YEAR</u>	<u>\$ 282,274</u>
CLASSIFIED AS	
Current Assets	\$ 65,562
Restricted Assets	<u>216,712</u>
<u>TOTAL</u>	<u>\$ 282,274</u>

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

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Jena, Louisiana (the "Town") was incorporated by proclamation of the governor in 1906 under the provisions of the Lawrason Act. The Town operates under a mayor-town council form of government.

The financial statements of the Town of Jena, Louisiana, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations) constitutes GAAP for governmental units.

In defining the Town's reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic criteria for including a potential component unit within the reporting entity is whether the primary government is financially accountable for the potential component unit. A primary government is financially accountable if it appoints a voting majority of the organizations's governing body and either (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing body, a governing board appointed by a higher level of government, or a jointly appointed board. An entity is fiscally dependent if it does not have the authority to do all of the following procedures:

1. Determine its budget without another government having the authority to approve and modify that budget.
2. Levy taxes or set rates or charges without approval from another government.
3. Issue bond debt without approval from another government.

This report includes all funds and account groups which meet the above criteria. No potential component units were excluded or included in the accompanying financial statements.

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

The more significant of the Town's accounting policies are described below.

Fund Accounting

The Town uses funds and account groups to report its financial position and results of 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. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Town are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

The General Fixed Assets Account Group is used to account for fixed assets other than those used in the proprietary funds.

Basis of Accounting

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

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by 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 the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debts are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are ad valorem taxes, franchise taxes, special assessments, grants, interest revenue, and charges for services. Fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with GAAP which is also consistent with state law. Annual appropriated budgets are adopted for General and Special Revenue funds. All annual appropriations lapse at the end of the fiscal year. Budgeted amounts are as originally adopted, or as amended from time to time by the Town Council.

The Town is required to follow these procedures in establishing the budgetary data reflected in the financial statements:

1. The Town management prepares a proposed budget and submits it to the Mayor and the Town Council no later than fifteen days prior to the beginning of each fiscal year.

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, the date of a public hearing is published.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. All budgets are controlled at the fund level. Budgetary amendments involving the transfers of funds from one fund or project to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Town Council.
6. Annual operating budget appropriations expire at the close of the fiscal year to the extent not expended.

Encumbrances

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

Cash and Investments

Management considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments, which consist of certificates of deposit with a maturity of more than three months when purchased, are stated at cost.

Accounts Receivable

Amounts due from customers are recognized as bad debts as they are considered uncollectible. Minimum losses are sustained since the customer's meter deposit is applied to any unpaid balance. In the opinion of management, all receivables were collectible and an allowance for doubtful accounts was not considered necessary.

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

Short-term Interfund Receivables/Payables

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 1998, are recorded as prepaid expenses.

Inventory

Inventory is valued at replacement cost, which approximates market, using the first-in/first-out (FIFO) method. Inventory used for the maintenance of the utility system is accounted for in the Utility Fund as assets when purchased and recorded as expenses when consumed. Inventory for office use is accounted for in the General and Utility funds as expenditures or expenses when purchased. Amounts of office inventory on hand are immaterial.

Restricted Assets

Certain proprietary fund assets are classified as restricted assets because their use is limited by applicable bond covenants. "Sewer sales tax bond sinking account and reserve account" segregate resources accumulated for debt service payments of the sewer revenue bonds. "Customers' deposit account" consists of funds received from customers for utility deposits.

Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. The Town has elected to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads and sidewalks. Fixed assets are valued at historical cost.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment, and vehicles in the proprietary funds is computed using the straight-line method over the estimated useful life.

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

Compensated Absences

Vacation and sick leave not used within the year does not accrue; therefore, no liability for compensated absences is reflected in the general purpose financial statements.

Long-Term Obligations

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

Fund Equity

Contributed capital is recorded in the proprietary fund that has received capital grants or contributions from developers, customers, or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

Retained Earnings - Reserved

Retained earnings - reserved, as reported on the balance sheet, represents certain restricted assets accumulated in accordance with the outstanding revenue bond indentures which are in excess of related current liabilities payable from restricted assets.

Supplemental Wages

Certain employees of the police and fire departments receive supplemental wages from the State of Louisiana. These supplemental wages are recognized as intergovernmental revenue and public safety expenditures in the General Fund.

Interfund Transactions

Quasi-external transactions, if any, are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as operating transfers.

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Memorandum Only - Total Columns

Total columns on the general purpose financial 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 are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND INVESTMENTS

Under state law, the Town may deposit funds with 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 United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At December 31, 1998, the Town had cash as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Petty cash and change funds	\$ 941	\$	\$ 941
Demand deposits	<u>544,363</u>	<u>216,712</u>	<u>761,075</u>
Total	\$545,304	\$216,712	\$762,016

At December 31, 1998, the Town had investments consisting of certificates of deposit as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Time deposits	\$1,104,358	\$201,500	\$1,305,858

At year end, the carrying amount of the Town's deposits (demand deposits and time deposits) was \$2,067,874, and bank balances were \$2,110,012. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$ 438,733
Uncollateralized (In accordance with GAAP - See below)	<u>1,671,279</u>
	\$2,110,012

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

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.

The uncollateralized amount shown above is secured by pledged securities with a market value of \$2,466,217 held in the name of the pledging fiscal agent banks in holding or custodial banks. Even though the pledged securities are considered uncollateralized under GAAP, Louisiana Revised Statutes impose 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 has failed to pay deposited funds upon demand.

3. RECEIVABLES

Receivables at December 31, 1998, consist of the following:

	GOVERNMENTAL FUND <u>TYPES</u>	PROPRIETARY FUND <u>TYPE</u>	<u>TOTALS</u>
Accounts			
Sanitation and fire protection	\$ 7,939	\$	\$ 7,939
Uncollected cycle billings		67,985	67,985
Estimated services between cycles		102,698	102,698
Interest		20,548	20,548
Taxes	5,975		5,975
Intergovernmental			
Local		3,470	3,470
State	33,429		33,429
Federal	<u>106,695</u>		<u>106,695</u>
Gross receivables	154,038	194,701	348,739
Allowance for uncollectible		<u>(4,399)</u>	<u>(4,399)</u>
Net receivables	\$154,038	\$190,302	\$344,340

Receivables arising from utility services provided to customers consist of uncollected billings rendered to customers on monthly cycle billings and estimated services provided to customers between billing cycles. The allowance for uncollectible accounts of \$4,399 represents the projected uncollectible accounts at December 31, 1998.

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

4. DUE FROM/TO OTHER FUNDS

Amounts due from and to other funds, at December 31, 1998, consisted of the following:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Sales Tax Special Revenue Fund	\$	\$42,705
Utility System Enterprise Fund	<u>42,705</u>	
	\$42,705	<u>\$42,705</u>

5. RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets at December 31, 1998, consisted of the following accounts:

	<u>CASH</u>	<u>INVESTMENTS</u>	<u>TOTAL</u>
Meter deposit	\$ 91,642	\$	\$ 91,642
Sewer sales tax bond sinking account	123,156		123,156
Sewer sales tax bond reserve account	<u>1,914</u>	<u>201,500</u>	<u>203,414</u>
	\$216,712	\$201,500	\$418,212

6. FIXED ASSETS

The following is a summary of changes in fixed assets during the fiscal year.

	<u>BALANCE 01/01/98</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 12/31/98</u>
GENERAL FIXED ASSETS				
ACCOUNT GROUP				
Land	\$ 103,167	\$	\$	\$ 103,167
Buildings	208,575	47,460		256,035
Equipment	371,798	1,705		373,503
Parks & playgrounds	153,692			153,692
Infrastructure	<u>866,991</u>	<u>20,016</u>	<u>—</u>	<u>887,007</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	<u>\$1,704,223</u>	<u>\$ 69,181</u>	<u>\$ -0-</u>	<u>\$ 1,773,404</u>
PROPRIETARY FUNDS				
Land	\$ 28,250	\$	\$	\$ 28,250
Sewer disposal system	4,035,330	28,821		4,064,151
Natural gas distribution system	2,568,359			2,568,359
Water plant & system	1,471,734	313,156		1,784,890
Service equipment	524,227	96,825	(950)	620,102
Construction in Progress	<u>—</u>	<u>870,905</u>	<u>—</u>	<u>870,905</u>
Total Proprietary Funds	<u>\$8,627,900</u>	<u>\$1,309,707</u>	<u>\$(950)</u>	<u>\$ 9,936,657</u>
Accumulated Depreciation				<u>(3,801,910)</u>
<u>NET FIXED ASSETS - PROPRIETARY FUNDS</u>				<u>\$ 6,134,747</u>

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

In the enterprise funds, the following useful lives are used to compute depreciation on the straight-line method.

Utility production and distribution system	25-50 years
Buildings and improvements	10-25 years
Equipment	5-8 years
Vehicles	3-6 years

Depreciation expense recorded in the financial statements for the fiscal year ended December 31, 1998, amounted to \$238,282 for the Utility System Enterprise Fund.

7. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets at December 31, 1998, consisted of the following:

Payable from the meter deposit account	
Meter deposits	\$ 91,642
Payable from the sewer sales tax bond sinking account	
Sewer sales tax bond (Note 8)	105,000
Accrued interest	<u>32,025</u>
	\$228,667

8. SEWER SALES TAX BOND

The sewer sales tax bond reported in the enterprise fund is due to the Louisiana Department of Environmental Quality (DEQ). The bond had an original face value of \$2,595,132.

Long-term debt at December 31, 1998, consisted of the following:

	INTEREST <u>RATE</u>	ADMINISTRATIVE <u>FEE</u>	<u>AMOUNT</u>
Sales tax bond	4.0%	.5%	\$2,135,000
Current portion (Note 7)			<u>(105,000)</u>
Long-term portion			\$2,030,000

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize the debt outstanding as of December 31, 1998, including interest of \$798,638, are as follows:

YEAR DECEMBER 31,	ENTERPRISE
1999	\$ 198,712
2000	193,987
2001	194,150
2002	194,088
2003	198,688
2004-2013	<u>1,954,013</u>
	\$2,933,638

Total interest and fiscal charges incurred by the Utility Fund amounted to \$96,825 for the current period.

During the year ended December 31, 1998, the following changes occurred in long-term liabilities:

	<u>BALANCE</u> <u>01/01/98</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>12/31/98</u>
Enterprise Fund Debt				
Sales tax bond	\$2,235,000	\$-0-	\$100,000	\$2,135,000

Sewer System Sales Tax Bonds. The material provisions of the sewer system sales tax bond covenants are as follows:

1. The Town will irrevocably pledge and dedicate the proceeds of the one percent (1%) sales and use tax authorized at a special election to the payment of principal and interest on the bonds.
2. The Town will establish service fees and charges at such rates as will yield annual revenues sufficient in amount to pay the costs of operating and maintaining the sewer system and to provide for the renewal and replacement of the sewer system.
3. The Town will transfer monthly to a debt service sinking account accumulations for the payments of principal and interest due on the bond.
4. The Town will establish a reserve account equal to the maximum future principal and interest due in any future fiscal year. Monies in this fund may be used for principal and interest payments if necessary.
5. The Town may not create debt having priority over these bonds.

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

After meeting the above provisions, any surplus in the Sales Tax Special Revenue Fund, may be used for any other purpose for which the sales tax was levied.

9. CONTRIBUTED CAPITAL

The following changes occurred in contributed capital of the enterprise fund during the year ended December 31, 1998:

Balance, January 1, 1998	\$1,660,599
Additions	
Service equipment	
State grant	14,137
Water plant & system	
Sales tax	313,155
State grant	34,551
Sewer disposal system	
Sales tax	28,821
Construction in Progress	
Federal grant	<u>870,905</u>
Balance, December 31, 1998	\$2,922,168

10. RESERVED AND DESIGNATED FUND EQUITY

At December 31, 1998, reserved and designated fund equity consisted of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Retained Earnings Reserved for Debt Service	\$	\$189,545	\$189,545
Fund Balance Designated for Fire Truck acquisition	<u>34,551</u>	<u> </u>	<u>34,551</u>
	\$34,551	\$189,545	\$224,096

11. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town normally on November 15 and are due on December 1. Billed taxes become delinquent on January 1 of the following year. Revenue from ad valorem taxes are budgeted in the year billed. The Town contracts with the Parish assessor of LaSalle Parish to prepare annual notices based upon assessed values determined by the tax assessor. The Town collects its own ad valorem taxes.

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 1998, taxes of 5.20 mills were levied on property with assessed values totaling \$8,769,940 and were dedicated for general fund purposes.

Total taxes levied were \$45,604. Taxes receivable at December 31, 1998, were \$5,975 and were considered collectible. No provision for doubtful accounts was considered necessary.

12. ENTERPRISE FUNDS - OPERATIONS

The Town operates one enterprise fund which provides natural gas, sewer, and water services to the residents of the Town and certain adjacent areas. The following is a condensed summary of operations of the enterprise fund.

	<u>WATER</u>	<u>GAS</u>	<u>SEWER</u>	<u>TOTAL</u>
Operating revenues	\$ 264,429	\$ 687,541	\$ 170,386	\$ 1,122,356
Operating expenses				
Depreciation	(44,865)	(74,403)	(119,014)	(238,282)
Other	<u>(226,808)</u>	<u>(589,820)</u>	<u>(207,245)</u>	<u>(1,023,873)</u>
Operating income (loss)	\$ (7,244)	\$ 23,318	\$(155,873)	(139,799)
Nonoperating revenues				
(expenses)				
Interest revenue				73,200
Interest and fiscal charges				(96,825)
Operating transfers - net				<u>(114,796)</u>
Net loss				\$ (278,220)
Current capital contributions				\$ 1,261,569
Net working capital				1,376,270
Total assets				8,026,884
Sales tax bonds payable				2,135,000
Total equity				5,670,562

13. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft, or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town carries commercial insurance or participates in a statewide public entity risk pool as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

	<u>LIMITS OF COVERAGE</u>
Public entity risk pool	
Workmen's compensation	Statutory
Auto liability	\$ 500,000
Commercial general liability	500,000
Law enforcement officers' liability (deductible \$1,000 per occurrence)	500,000
Public officials' errors and omissions (deductible \$1,000 per occurrence)	500,000
Commercial insurance	
Town-owned buildings - fire, lightning, and extended coverage	3,261,000

The Town pays an annual premium to the public entity risk pool. The risk pool is self-sustaining through member premiums.

The Town covers all other losses, claim settlements, and judgments from General Fund resources. The Town currently reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

14. COMPENSATION PAID TO MAYOR AND TOWN COUNCIL

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following reflects compensation paid to the Mayor and members of the Town Council of the Town of Jena, Louisiana, for the fiscal year ending December 31, 1998.

Mayor Norman Welch	\$38,462
Town Council	
Gary Compton	4,500
Donnie Kendrick	4,350
Steve Sanders	4,500
Dale Willis	4,500
Donnie Cupples	4,500

15. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Town contributes to one statewide multiple-employer public employee retirement system, the Municipal Employees' Retirement System of Louisiana (MERS).

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

MERS. Membership is mandatory for all full-time employees of the Town, provided they meet statutory criteria. Any employee meeting the statutory criteria is eligible to participate after one (1) year of employment. A member is eligible for normal retirement benefits if he has ten (10) years of creditable service and is age sixty (60), has twenty-five (25) years of creditable service and is age fifty-five (55), or has at least thirty (30) years of creditable service at any age. Benefit rates are three percent (3%) of the member's final compensation multiplied by his years of credited service, not to exceed one hundred percent (100%).

Members are currently required to contribute nine and one-quarter percent (9.25%) of their salary to the system. The Town's contribution was five and three-quarters percent (5.75%) for January 1, 1998 to December 31, 1998.

Benefit and contribution requirements are established by state law.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to 7937 Office Park Boulevard, Baton Rouge, LA 70809.

Required Contributions. The Town made the following required contributions to MERS:

<u>YEAR ENDING</u>	
12/31/98	\$40,030
12/31/97	38,901
12/31/96	40,499

16. SUPPLEMENTAL PAY

Certain employees meeting statutory qualifications in the police and fire departments received supplemental pay directly from the State of Louisiana. This supplemental pay, in the amount of \$25,790, is recognized as revenue and expenditures in the General Fund as follows:

<u>GENERAL FUND</u>	
Police	\$18,000
Fire	<u>7,790</u>
	\$25,790

17. CONTRACT AGREEMENTS

On January 9, 1998, the Town entered into a contract with the State of Louisiana, Division of Administration, for Economic Development C.D.B.G. funds totaling \$996,390. The purpose of the funding is to provide gas, water, and sewer services to the Jena Juvenile Detention Facility.

TOWN OF JENA, LOUISIANA
DECEMBER 31, 1998

NOTES TO FINANCIAL STATEMENTS

Subsequently, on February 16, 1998, the Town entered into a contract with the State of Louisiana, Division of Administration, and Wackenhut Corrections Corporation. Under this contract, Wackenhut Corrections Corporation agreed to construct a 276 bed correctional facility for male juveniles at a cost of \$10,300,000. The Town agreed to construct gas, water, and sewer improvements to provide these services to the correctional facility at a maximum total cost of \$996,390 LCDBG funds. Any reduction in the \$10,300,000 development costs shall require a corresponding reduction in LCDBG funds in a ratio of \$10.33 private funds to \$1.00 LCDBG Funds.

At December 31, 1998, \$870,905 LCDBG funds had been received and expended.

On October 7, 1997, the Town entered into a contract with McManus Consulting Engineers for engineering services relating to the LCDBG project totaling \$96,475. At December 31, 1998, \$86,749 had been expended on this contract.

On December 12, 1997, the Town entered into a contract with Fry/Magee & Associates, Inc. for administrative services relating to the LCDBG project totaling \$31,500. At December 31, 1998, \$28,000 had been expended on this contract.

On May 15, 1998, the Town Council approved the following bids for construction of the LCDBG project:

Contract B - New Elevated Tank - from Brown Steel Contractors, Inc. in the amount of \$178,500. At December 31, 1998, \$178,500 had been expended on this contract.

Contract C - Paint Elevated Tank - from P.M. Tanks, Inc. in the amount of \$54,866. At December 31, 1998, \$54,866 had been expended on this contract.

Contract D - Detention Facility Utilities - from Empire Construction Company in the amount of \$496,914. During 1998 contract change orders increased the contract amount to \$572,228. At December 31, 1998, \$517,592 had been expended on this contract.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF JENA, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
YEAR 2000 SUPPLEMENTARY INFORMATION
DECEMBER 31, 1998

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Town's operations as early as fiscal year 1999.

The Town has completed an inventory of its computer system and other electronic equipment that may be affected by the year 2000 issue which is necessary to conducting Town operations, and has identified the financial reporting system general ledger, accounts payable, payroll, water, gas, and sewer accounts receivable/billing as being mission critical. The Town relies on vendors to provide the financial reporting system and for assessment, remediation, testing, and validation of this system as being year 2000 compliant.

During the years ended December 31, 1998 and 1997, the Town purchased software and hardware upgrades to its financial reporting system. No additional funds were committed to this project as of December 31, 1998. As of December 31, 1998, the vendor was in the process of testing and validating the financial reporting system.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management can not assure that the Town is or will be year 2000 ready, that the Town's remediation efforts will be successful in whole or in part, or that parties with whom the Town does business will be year 2000 ready.

See independent auditor's report.

ADDITIONAL INFORMATION

GENERAL FUND

This is the general operating fund of the Town and is used to account for the operations traditionally associated with a municipality which are not required to be accounted for in another fund.

TOWN OF JENA, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 1998

STATEMENT F-1

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES (STATEMENT F-2)			
Taxes	\$ 121,700	\$ 126,013	\$ 4,313
Licenses and permits	110,350	125,078	14,728
Intergovernmental	65,000	90,260	25,260
Charges for services	165,750	165,783	33
Fines and forfeitures	40,000	38,700	(1,300)
Interest		108	108
Other	<u>14,825</u>	<u>3,700</u>	<u>(11,125)</u>
Total Revenues	517,625	549,642	32,017
EXPENDITURES (STATEMENT F-3)			
General government			
Current	178,198	178,232	(34)
Capital outlay	1,085		1,085
Public safety			
Police			
Current	159,526	173,044	(13,518)
Capital outlay		1,085	(1,085)
Fire			
Current	139,500	125,386	14,114
Animal control			
Current	29,110	24,938	4,172
Public works			
Streets			
Current	84,822	57,225	27,597
Capital outlay	43,774	47,460	(3,686)
Sanitation			
Current	91,350	93,422	(2,072)
Recreation			
Current	<u>62,677</u>	<u>66,048</u>	<u>(3,371)</u>
Total Expenditures	<u>790,042</u>	<u>766,840</u>	<u>23,202</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(272,417)	(217,198)	55,219
OTHER FINANCING SOURCES			
Operating transfer in Utility System Enterprise Fund	<u>272,417</u>	<u>279,723</u>	<u>7,306</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	62,525	62,525
FUND BALANCE, BEGINNING OF YEAR	<u>34,844</u>	<u>34,844</u>	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 34,844</u>	<u>\$ 97,369</u>	<u>\$ 62,525</u>

See independent auditor's report.

TOWN OF JENA, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 1998

STATEMENT F-2

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes			
Ad valorem taxes	\$ 42,200	\$ 45,746	\$ 3,546
Housing Authority in lieu of taxes	6,500	7,668	1,168
Franchise taxes	<u>73,000</u>	<u>72,599</u>	<u>(401)</u>
Totals	121,700	126,013	4,313
Licenses and permits			
Occupational licenses	110,000	124,648	14,648
Other	<u>350</u>	<u>430</u>	<u>80</u>
Totals	110,350	125,078	14,728
Intergovernmental			
Tobacco tax	13,500	13,318	(182)
Beer tax	3,000	7,254	4,254
State fire insurance rebate	15,000	10,156	(4,844)
State traffic light maintenance	8,500	8,000	(500)
Supplemental wages		25,790	25,790
State grants	<u>25,000</u>	<u>25,742</u>	<u>742</u>
Totals	65,000	90,260	25,260
Charges for services			
Sanitation fees	91,000	93,212	2,212
Fire protection	65,250	62,650	(2,600)
Recreation	6,500	6,662	162
Other	<u>3,000</u>	<u>3,259</u>	<u>259</u>
Totals	165,750	165,783	33
Fines and forfeitures			
Interest	40,000	38,700	(1,300)
Other	<u>14,825</u>	<u>3,700</u>	<u>(11,125)</u>
<u>TOTAL REVENUES</u>	<u>\$517,625</u>	<u>\$549,642</u>	<u>\$ 32,017</u>

See independent auditor's report.

TOWN OF JENA, LOUISIANA
GENERAL FUND
STATEMENT OF EXPENDITURES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 1998

STATEMENT F-3
(Continued)

VARIANCE
FAVORABLE
(UNFAVORABLE)

GENERAL GOVERNMENT

Current

	<u>BUDGET</u>	<u>ACTUAL</u>	
Mayor's salary	\$ 33,128	\$ 33,862	\$ (734)
Town Council salaries	22,500	22,350	150
Administrative salaries	31,200	34,262	(3,062)
Employee benefits	12,196	6,681	5,515
Payroll taxes	2,250	958	1,292
Town Council expenses	3,000	1,780	1,220
Mayor's expenses	8,800	7,399	1,401
Insurance	23,500	19,589	3,911
Legal and other professional	12,000	12,007	(7)
Dues and subscriptions	1,500	2,217	(717)
Senior citizen center	7,000	10,462	(3,462)
Collection fees	6,100	6,283	(183)
Economic development	1,000	492	508
Advertising	7,296	11,648	(4,352)
Training	420	549	(129)
Miscellaneous	6,308	6,485	(177)
Tax roll preparation		1,208	(1,208)
Capital outlay	<u>1,085</u>		<u>1,085</u>
Total General Government	179,283	178,232	1,051

PUBLIC SAFETY

Police Department

Current

Salaries	102,000	108,371	(6,371)
Supplemental wages		18,000	(18,000)
Employee benefits	20,500	19,404	1,096
Payroll taxes	1,200	1,011	189
Gas and oil	7,000	5,797	1,203
Repairs and maintenance	6,000	4,098	1,902
Supplies	5,000	1,933	3,067
Telephone	900	710	190
Fines remitted to state	3,826	3,786	40
Uniforms	1,000	1,016	(16)
Training	1,000	7	993
Insurance	10,000	7,454	2,546
Other	1,100	1,457	(357)
Capital outlay		<u>1,085</u>	<u>(1,085)</u>
Total Police Department	159,526	174,129	(14,603)

See independent auditor's report.

TOWN OF JENA, LOUISIANA
GENERAL FUND
STATEMENT OF EXPENDITURES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 1998

STATEMENT F-3
(Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
Fire Department			
Current			
Salaries	\$ 75,500	\$ 62,322	\$ 13,178
Supplemental wages		7,790	(7,790)
Employee benefits	18,000	12,174	5,826
Payroll taxes	2,000	1,573	427
Gas and oil	1,500	950	550
Repairs and maintenance	4,000	2,765	1,235
Supplies	5,500	6,316	(816)
Telephone	2,000	1,857	143
Utilities	1,800	1,732	68
Volunteer fire department expenses	5,000	5,650	(650)
Casual labor	13,000	13,648	(648)
Uniforms	1,300	886	414
Training	1,500	2,353	(853)
Insurance	7,600	4,521	3,079
Other	800	849	(49)
Total Fire Department	<u>139,500</u>	<u>125,386</u>	<u>14,114</u>
Animal Control Department			
Current			
Salaries	17,800	15,517	2,283
Employee benefits	5,200	3,786	1,414
Payroll taxes	200	63	137
Gas and oil	1,450	676	774
Repairs and maintenance	1,500	2,248	(748)
Supplies	850	908	(58)
Utilities	500	536	(36)
Uniforms	360	375	(15)
Veterinary expenses	650	473	177
Insurance	600	356	244
Total Animal Control Department	<u>29,110</u>	<u>24,938</u>	<u>4,172</u>
Total Public Safety	<u>328,136</u>	<u>324,453</u>	<u>3,683</u>

See independent auditor's report.

TOWN OF JENA, LOUISIANA
GENERAL FUND
STATEMENT OF EXPENDITURES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 1998

STATEMENT F-3
(Concluded)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
PUBLIC WORKS			
Streets			
Current			
Payroll taxes	\$	\$ 32	\$ (32)
Gas and oil	450	656	(206)
Repairs and maintenance	25,872	7,639	18,233
Supplies	9,000	3,828	5,172
Utilities	48,000	43,780	4,220
Miscellaneous	1,500	1,290	210
Capital outlay	<u>43,774</u>	<u>47,460</u>	<u>(3,686)</u>
Total Streets	128,596	104,685	23,911
Sanitation			
Current			
Salaries	50,500	57,244	(6,744)
Employee benefits	14,000	10,693	3,307
Payroll taxes	550	776	(226)
Gas and oil	5,000	3,700	1,300
Repairs and maintenance	2,000	5,775	(3,775)
Supplies	1,000	456	544
Uniforms	1,200	1,151	49
Garbage bags	9,500	6,308	3,192
Insurance	7,000	6,974	26
Miscellaneous	<u>600</u>	<u>345</u>	<u>255</u>
Total Sanitation	91,350	93,422	(2,072)
Recreation			
Current			
Salaries	30,000	36,157	(6,157)
Employee benefits	5,400	4,049	1,351
Payroll taxes	1,800	1,804	(4)
Gas and oil	1,000	636	364
Repairs and maintenance	4,000	3,879	121
Supplies	8,000	8,399	(399)
Telephone	750	675	75
Utilities	6,400	7,038	(638)
Uniforms	300	436	(136)
Materials for resale	1,027	1,118	(91)
Casual labor	1,000	100	900
Insurance	2,700	1,705	995
Miscellaneous	<u>300</u>	<u>52</u>	<u>248</u>
Total Recreation	<u>62,677</u>	<u>66,048</u>	<u>(3,371)</u>
Total Public Works	<u>282,623</u>	<u>264,155</u>	<u>18,468</u>
<u>TOTAL EXPENDITURES</u>	<u>\$790,042</u>	<u>\$766,840</u>	<u>\$ 23,202</u>

See independent auditor's report.

SALES TAX SPECIAL REVENUE FUND

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

SALES TAX SPECIAL REVENUE FUND is used to account for revenues generated by the one percent (1%) sales and use tax. Proceeds are first dedicated to the debt service of the sales tax bond.

TOWN OF JENA, LOUISIANA
 SALES TAX SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 1998

STATEMENT G-1

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes	\$ 450,000	\$ 504,228	\$ 54,228
Interest	<u>6,000</u>	<u>11,403</u>	<u>5,403</u>
Total Revenues	456,000	515,631	59,631
EXPENDITURES			
Current - General Government			
Operating expense	10,000	37,452	(27,452)
Collection expense	10,000	13,034	(3,034)
Capital outlay	<u>400,000</u>	<u>341,975</u>	<u>58,025</u>
Total Expenditures	<u>420,000</u>	<u>392,461</u>	<u>27,539</u>
EXCESS OF REVENUES OVER EXPENDITURES	36,000	123,170	87,170
OTHER FINANCING USES			
Operating transfers out			
Utility System Enterprise Fund for			
Operations	(160,000)	(36,763)	123,237
Sewer sales tax bond sinking account	(201,000)	(100,992)	100,008
Sewer sales tax bond reserve account	(50,250)	(16,735)	33,515
Sewer sales tax bond contingency account	<u>(10,500)</u>	<u>(10,437)</u>	<u>63</u>
Total Other Financing Uses	<u>(421,750)</u>	<u>(164,927)</u>	<u>256,823</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(385,750)	(41,757)	343,993
FUND BALANCE, BEGINNING OF YEAR	<u>396,378</u>	<u>396,378</u>	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 10,628</u>	<u>\$ 354,621</u>	<u>\$343,993</u>

See independent auditor's report.

CAPITAL PROJECTS FUND

Capital Projects Fund is used to account for the proceeds of a LCDBG grant to provide gas, water, and sewer services to the Jena Juvenile Detention Facility.

TOWN OF JENA, LOUISIANA
 CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 YEAR ENDED DECEMBER 31, 1998

STATEMENT H-1

REVENUES	
Federal grant	\$870,905
Total Revenues	<u>870,905</u>
EXPENDITURES	
Capital Outlay	
Acquisition	2,786
Consultant services	28,000
Legal services	1,325
Local expenses	187
Engineering fees	86,749
Construction	<u>751,858</u>
Total Expenditures	<u>870,905</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-
FUND BALANCE, BEGINNING OF YEAR	<u>100</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 100</u>

See independent auditor's report.

UTILITY SYSTEM ENTERPRISE FUND

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

UTILITY SYSTEM ENTERPRISE FUND is used to account for the operations of the natural gas distribution system, water distribution system, and sewer services provided to the residents of the Town and to certain surrounding areas. 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, billing, and collection.

TOWN OF JENA, LOUISIANA
UTILITY SYSTEM ENTERPRISE FUND
BALANCE SHEET
DECEMBER 31, 1998

STATEMENT I-1
(Continued)

ASSETS		
CURRENT ASSETS		
Cash		\$ 65,562
Investments - Certificates of deposit, at cost		1,069,807
Receivables		
Accounts (Net of allowance for doubtful accounts)		166,284
Intergovernmental		3,470
Other		20,548
Due from other funds		42,705
Prepaid expenses		20,780
Inventory		<u>84,769</u>
Total Current Assets		1,473,925
RESTRICTED ASSETS		
Meter deposit account		91,642
Sewer sales tax bond sinking account		123,156
Sewer sales tax bond reserve account		1,914
Sewer sales tax bond reserve certificate of deposit		<u>201,500</u>
Total Restricted Assets		418,212
PROPERTY, PLANT, AND EQUIPMENT		
Property, plant, and equipment		9,936,657
Accumulated depreciation		<u>(3,801,910)</u>
Net Property, Plant, and Equipment		<u>6,134,747</u>
<u>TOTAL ASSETS</u>		<u>\$ 8,026,884</u>

See independent auditor's report.

TOWN OF JENA, LOUISIANA
UTILITY SYSTEM ENTERPRISE FUND
BALANCE SHEET
DECEMBER 31, 1998

STATEMENT I-1
(Concluded)

LIABILITIES AND EQUITY	
CURRENT LIABILITIES (Payable from Current Assets)	
Accounts payable	\$ 84,536
Accrued expenses/other current liabilities	
Accrued wages	8,377
Sales taxes payable	<u>4,742</u>
Total	97,655
CURRENT LIABILITIES (Payable from Restricted Assets)	
Payable from meter deposit account	
Meter deposits	91,642
Payable from sewer sales tax bond sinking account	
Sewer sales tax bond	105,000
Accrued interest	<u>32,025</u>
Total	<u>228,667</u>
Total Current Liabilities	326,322
NONCURRENT LIABILITIES	
Sales tax bonds	2,030,000
Total Liabilities	<u>2,356,322</u>
EQUITY	
Contributed capital	2,922,168
Retained earnings	
Reserved for	
Debt service	189,545
Unreserved	<u>2,558,849</u>
Total Retained Earnings	<u>2,748,394</u>
Total Equity	<u>5,670,562</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$8,026,884</u>

See independent auditor's report.

TOWN OF JENA, LOUISIANA
UTILITY SYSTEM ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1998

STATEMENT I-2

	<u>TOTAL</u>	<u>WATER SYSTEM</u>	<u>NATURAL GAS SYSTEM</u>	<u>SEWER SYSTEM</u>
OPERATING REVENUES				
Charges for sales and services	\$1,087,191	\$247,715	\$669,090	\$ 170,386
State grant	1,523		1,523	
Other	<u>33,642</u>	<u>16,714</u>	<u>16,928</u>	
Total Operating Revenues	1,122,356	264,429	687,541	170,386
OPERATING EXPENSES				
Natural gas purchases	276,496		276,496	
Salaries	331,764	74,477	188,437	68,850
Employee benefits	59,719	17,343	30,169	12,207
Payroll taxes	5,339	1,601	2,638	1,100
Bad debts	2,291	527	1,397	367
Operating supplies	113,169	62,722	25,251	25,196
Gas and oil	9,221	1,720	6,009	1,492
Utilities	59,262	19,538	3,638	36,086
Telephone	5,333	3,832	948	553
Repairs and maintenance	41,308	16,663	17,963	6,682
Depreciation	238,282	44,865	74,403	119,014
Travel	277	54	172	51
Training	525	150	50	325
Uniform rental	4,796	419	3,285	1,092
Professional fees	18,387	7,895	5,246	5,246
Office expense	6,432	3,131	2,901	400
Insurance	63,165	15,693	18,684	28,788
Dues and subscriptions	1,091		1,016	75
Lab reports	16,790			16,790
Drug testing	990		990	
Miscellaneous	<u>7,518</u>	<u>1,043</u>	<u>4,530</u>	<u>1,945</u>
Total Operating Expenses	1,262,155	271,673	664,223	326,259
OPERATING INCOME (LOSS)	(139,799)	\$ <u>(7,244)</u>	\$ <u>23,318</u>	\$ <u>(155,873)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	73,200			
Interest expense and fiscal charges	<u>(96,825)</u>			
Total Nonoperating Revenues (Expenses)	<u>(23,625)</u>			
LOSS BEFORE OPERATING TRANSFERS	(163,424)			
OPERATING TRANSFERS IN (OUT)				
Sales Tax Special Revenue Fund for:				
Sewer system operations	36,763			
Sewer sales tax bond indenture requirements	128,164			
General Fund	<u>(279,723)</u>			
Total Operating Transfers In (Out)	<u>(114,796)</u>			
NET LOSS	(278,220)			
RETAINED EARNINGS, BEGINNING OF YEAR	<u>3,026,614</u>			
<u>RETAINED EARNINGS, END OF YEAR</u>	<u>\$2,748,394</u>			

See independent auditor's report.

GENERAL FIXED ASSETS ACCOUNT GROUP

This group of accounts is used to account for fixed assets other than those used in the proprietary fund.

TOWN OF JENA, LOUISIANA
STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31, 1998

STATEMENT J-1

GENERAL FIXED ASSETS	
Land	\$ 103,167
Buildings	256,035
Equipment	373,503
Parks and playgrounds	153,692
Infrastructure	<u>887,007</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	<u>\$1,773,404</u>
INVESTMENT IN GENERAL FIXED ASSETS	
General obligation bonds	\$ 444,193
General fund revenues	1,233,552
Federal revenue sharing	<u>95,659</u>
<u>TOTAL INVESTMENT IN GENERAL FIXED ASSETS</u>	<u>\$1,773,404</u>

See independent auditor's report.

TOWN OF JENA, LOUISIANA
 STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
 YEAR ENDED DECEMBER 31, 1998

STATEMENT J-2

	<u>LAND</u>	<u>BUILDINGS</u>	<u>EQUIPMENT</u>	<u>PARKS AND PLAYGROUNDS</u>	<u>INFRASTRUCTURE</u>	<u>TOTAL</u>
GENERAL FIXED ASSETS, BEGINNING OF YEAR	\$103,167	\$208,575	\$371,798	\$153,692	\$866,991	\$1,704,223
ADDITIONS						
General Fund revenues	<u>47,460</u>		<u>1,705</u>		<u>20,016</u>	<u>69,181</u>
GENERAL FIXED ASSETS, <u>END OF YEAR</u>	<u>\$103,167</u>	<u>\$256,035</u>	<u>\$373,503</u>	<u>\$153,692</u>	<u>\$887,007</u>	<u>\$1,773,404</u>

See independent auditor's report.

UNAUDITED SCHEDULE OF INSURANCE IN FORCE

TOWN OF JENA, LOUISIANA
 UNAUDITED SCHEDULE OF INSURANCE IN FORCE
 DECEMBER 31, 1998

SCHEDULE 1

<u>INSURER</u>	<u>EXPIRATION DATE</u>	<u>COVERAGE</u>	<u>PROPERTY COVERED</u>	<u>LIMITS</u>
Louisiana Municipal Risk Management Agency	02/18/99	Automobile Liability	Owned, hired, non-owned	\$500,000 CSL BI & PD
	05/01/99	Commercial General Liability	Premiums/Operations Products/Completed Operations	500,000 per occurrence Occurrence: included Aggregate: 500,000 CSL BI & PD
	05/01/99	Law Enforcement Officers' Comprehensive Liability	Medical Payments	1,000 per person 10,000 per accident 50,000 per occurrence
	05/01/99	Public Officials' Errors & Omissions Liability	Fire legal liability Police Liability	500,000 CSL Personal Injury & PD
Employers Fire Insurance Company	11/01/99	Fire Insurance	Wrongful acts of the Public Entity	500,000 CSL
Louisiana Municipal Risk Management Agency	01/01/99	Worker's Compensation	All buildings and personal property	3,261,000 1,000 deductible 90% co-insurance
Economy Fire	02/15/99	Automobile	1986 Ford Fire Truck	Statutory
Fidelity & Deposit Company of Maryland	07/01/99	Public Officials Clerk Bond	Mayor and Town Clerk Town Clerk	100,000 each accident Deductibles: 500 comprehensive 1,000 collision
Audubon E & S	01/20/99	Position Fidelity Bond Commercial Automobile	Form FHA 440-24 All Automobiles	10,000 each official ACV

See independent auditor's report.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF JENA, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 1998

SCHEDULE 2

<u>FEDERAL AGENCY/ PASS-THROUGH GRANTOR PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>AGENCY OR PASS-THROUGH GRANT NUMBER</u>	<u>TOTAL FEDERAL AWARD</u>	<u>FEDERAL AWARDS EXPENDED</u>
U.S. Department of Housing and Urban Development Community Planning and Development Pass-through the State of Louisiana, Division of Administration Community Development Block Grants/Economic Development	14.246	107-800268	\$996,390	\$870,905

Notes:

The Schedule of Expenditures for Federal Awards was prepared on the modified accrual basis of accounting. Note 1 to the financial statements provides additional information relative to the Town's accounting policies.

No federal funds were awarded to subrecipients during the year ended December 31, 1998.

See independent auditor's report.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133**

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Dale Willis, Mayor, and
Members of the Town Council
Town of Jena, Louisiana

We have audited the general purpose financial statements of the Town of Jena, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated May 17, 1999. 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 Town of Jena'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 and questioned costs as finding 98-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Jena'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 Town of

MARVIN A. JUNEAU, C.P.A.
H. ERIC RANDOW, C.P.A.
ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.
ROBERT W. DYORAK, C.P.A.
DALE P. DE SELLE, C.P.A.

REBECCA B. MORRIS, C.P.A.
MICHAEL A. JUNEAU, C.P.A.
L. PAUL WOOD, C.P.A.



PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and Town Council
Town of Jena, Louisiana

Jena'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 and questioned costs as findings 98-1 and 98-2.

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, of the reportable conditions described, we consider finding 98-1 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Town of Jena, Louisiana, in a separate letter, entitled Memorandum of Other Comments and Recommendations, dated May 17, 1999.

This report is intended for the information of the Mayor, members of the City Council, management of the Town of Jena, Louisiana, Louisiana legislative auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Payne, Moore & Herrington, LLP
Certified Public Accountants

May 17, 1999

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Dale Willis, Mayor, and
Members of the Town Council
Town of Jena, Louisiana

Compliance

We have audited the compliance of the Town of Jena, Louisiana, with the types of compliance requirements described in the *U.S. Office Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1998. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of management of the Town of Jena, Louisiana. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town of Jena, Louisiana, complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1998.

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The Honorable Dale Willis, Mayor, and
Members of the Town Council
Town of Jena, Louisiana

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Mayor, members of the City Council, management of the Town of Jena, Louisiana, Louisiana legislative auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Layne, Prose & Herrington, LLP
Certified Public Accountants

May 17, 1999

TOWN OF JENA, LOUISIANA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 1998

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Reportable conditions(s) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> None reported
Noncompliance material to the financial statements noted?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Management's Corrective Action Plan	See Attached
Management's Summary Schedule of Prior Audit Findings	See Attached
Memorandum of Other Comments and Recommendations	See Attached

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Reportable conditions(s) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance with major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Identification of major program:	
CFDA #14.246 Community Development Block Grants/Economic Development	
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

TOWN OF JENA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 1998

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 98-1: RECONCILIATION OF ACCOUNTS RECEIVABLE

Criteria: The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Condition: During the year ended December 31, 1998, the accounts receivable subsidiaries for utility customer accounts were not routinely reconciled to the related general ledger control account.

Cause: This condition is a result of inadequate reports from the utility billing program.

Recommendation: We recommend that, upon full implementation of the Town's new utility billing software, accounts receivable subsidiary listings be reconciled monthly to the related general ledger control account.

Management's response: See management's corrective action plan.

FINDING 98-2: RECONCILIATION OF UTILITY DEPOSITS

Criteria: The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Condition: During the year ended December 31, 1998, the subsidiary records for customer utility deposits were not periodically reconciled to the general ledger control account.

Cause: This condition is a result of inadequate reports from the utility billing program.

Recommendation: We recommend that the subsidiary records for customer utility deposits be periodically reconciled to the general ledger.

Management's response: See management's corrective action plan.

TOWN OF JENA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 1998

FINDING 98-3: POLICE TICKET CHANGES

Criteria: It is our understanding that, once a "Louisiana Uniform Traffic Ticket and Compliant" citation is issued, only the judicial branch of government has authorization to change the violation as originally issued.

Condition: In performing a random test of "Louisiana Uniform Traffic Ticket and Compliant" citations issued by police department personnel of the Town of Jena during the year ended December 31, 1998, we noted fifteen tickets on which violations were reduced to a lesser offense. These fifteen deviations included four tickets reduced to warnings. A further review of the complete computer listing of the citations issued during the year ended December 31, 1998, showed an additional 22 tickets reduced to warnings. Warning tickets were not presented to Municipal Court.

Cause: The reduction of each ticket violation was noted on the face of the ticket with the issuing police officers' initials evident on 23 of the 37 deviations noted.

Recommendation: We recommend that all tickets be properly disposed through Municipal Court and any violation changes be authorized by the judicial branch of government.

Management's response: See management's corrective action plan.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

**TOWN OF JENA, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 1998**

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

Independent Public Accounting Firm: Payne, Moore & Herrington, LLP
P.O. Box 13200
Alexandria, LA 71315-3200

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

The findings from the May 17, 1999, schedule of findings and questioned costs and the May 17, 1999, memorandum of other comments and recommendations are discussed below. The findings are numbered consistently with the numbers assigned in the report and memorandum.

MATERIAL WEAKNESS

FINDING 98-1: RECONCILIATION OF ACCOUNTS RECEIVABLE

During the year ended December 31, 1998, the accounts receivable subsidiaries for utility customer accounts were not routinely reconciled to the related general ledger control account due to the utility billing program's lack of interface with the general ledger program.

Recommendation: The new utility billing software should be implemented so that accounts receivable subsidiary listings can be reconciled to the related general ledger control account.

Action taken: Our new utility billing software does interface with the general ledger. We are working on may billing and expect to be on the new system on or before October 1.

REPORTABLE CONDITION

FINDING 98-2: RECONCILIATION OF UTILITY DEPOSITS

During the year ended December 31, 1998, the subsidiary records for customer utility deposits were not periodically reconciled to the general ledger control account.

Recommendation: The subsidiary records for customer utility deposits be periodically reconciled to the general ledger.

Action Taken: The customer utility deposits will be reconciled to the general ledger control account quarterly.

TOWN OF JENA, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 1998

NONCOMPLIANCE

FINDING 98-3: POLICE TICKET CHANGES

During the year ended December 31, 1998, 37 ticket violations were reduced to a lesser offense, which included 26 tickets reduced to warnings. Warning tickets were not presented to Municipal Court. The reduction of each ticket violation was noted on the face of the ticket with the issuing police officers' initials evident on 23 of the 37 deviations noted.

Recommendation: All tickets should be properly disposed through Municipal Court, and any violation changes should be authorized by the judicial branch government.

Action taken: The Chief of Police will be notified of this finding and advised that he and officers are unauthorized to make these changes in the tickets. We will instruct our Town Attorney to watch the tickets more closely.

OTHER COMMENTS AND RECOMMENDATIONS

FINDING 98-4: FREE SEWER SERVICE PROVIDED TO MUNICIPAL FACILITIES

Article II., Section 2.03 (s) of the Loan and Pledge Agreement between the Louisiana Department of Environmental Quality and the Town provides that the Town shall not provide services of the system free of charge to any person, firm, corporation, public agency, or instrumentality. We were informed that the Town does not charge itself for sewer services provided to municipal facilities.

Recommendation: The Town should comply with all provisions of the agreement.

Action taken: All municipal facilities will be charged for sewer services.

FINDING 98-5: UTILITY BILLING SOFTWARE

The following are areas of concern or deficiencies with the current utility billing software:

1. Inability to correct customer accounts with credit balances.
2. Lack of support from the vendor.
3. No recap of utility sales, which are not subject to sales tax, is provided.
4. Lack of subsidiary by fund for billed accounts.
5. Difficulty in verifying meter readers cards to the system due to lack of ease in identifying accounts.
6. Lack of interface with the general ledger.
7. Customer deposits are maintained on a manual index card system.

**TOWN OF JENA, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 1998**

Recommendation: The new utility billing software should be implemented to better meet the Town's needs.

Action taken: The new utility billing software should be in use on or before October 1.

FINDING 98-6: INSUFFICIENT METER DEPOSIT

One utility customer account that was established on December 8, 1994 had no water meter deposit.

Recommendation: Utility meter deposits should be obtained on all required accounts.

Action taken: The meter deposits will be monitored closer to assure that a deposit is collected for all accounts.

FINDING 98-7: INVOICE PROCESSING

Two invoices did not total correctly to the amount paid.

Recommendation: Control procedures for processing invoices should be developed whereby all extensions, footings, discounts, and freight terms are checked for accuracy, with the performance of such procedures clearly indicated on the face of the invoice.

Action taken: The invoices will be watched closer to assure that invoice amounts and payments agree. The Mayor, A/P Clerk, and Supervisors will be watching invoices also.

FINDING 98-8: TRAVEL ADVANCES/REIMBURSEMENTS

Four travel advances/reimbursements did not have proper supporting documentation.

Recommendation: A travel policy should be developed that includes guidelines for supporting documentation to be included with all travel reimbursements and advances and for reimbursement to the Town of the unused portions, if any, of travel advances.

Action taken: A travel policy is being developed and all employees will be advised that supporting documentation must be included with all travel advances and reimbursements.

TOWN OF JENA, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 1998

FINDING 98-9: BUDGET VARIANCE REPORTING

The incorrect budget amounts were recorded on the Town's Detailed Income Statement for the period ended December 31, 1998, for the General Fund and Sewer Sales Tax Fund.

Recommendation: Control procedures should be developed to ensure accurate financial reporting whereby original budget amounts and all approved budget amendments are properly recorded in the general ledger.

Action taken: Budget amounts and amendments will be properly recorded in the general ledger.

TOWN OF JENA, LOUISIANA
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 1998

FINDING 97-1: RECONCILIATION OF ACCOUNTS RECEIVABLE

Condition: This finding was a material weakness stating that the accounts receivable subsidiaries for utility customer accounts were not routinely reconciled to the related general ledger control account due to the utility billing program's lack of interface with the general ledger program.

Recommendation: It was recommended that the existing utility billing software be upgraded or replaced so that accounts receivable subsidiary listings could be reconciled to the related general ledger control account.

Current status: The Town purchased new utility billing software; however, it was not fully implemented during the year ended December 31, 1998. The condition remains unresolved for the year ended December 31, 1998. See FINDING 98-1.

FINDING 97-2: RECONCILIATION OF UTILITY DEPOSITS

Condition: This finding was a reportable condition stating that the subsidiary records for customer utility deposits were not periodically reconciled to the general ledger control account.

Recommendation: It was recommended that the subsidiary records for customer utility deposits be periodically reconciled to the general ledger.

Current status: The condition remains unresolved for the year ended December 31, 1998. See FINDING 98-2.

FINDING 97-3: FREE SEWER SERVICE PROVIDED TO MUNICIPAL FACILITIES

Condition: This finding was an other comment stating that the Town does not charge itself for sewer services provided to municipal facilities.

Recommendation: It was recommended that the Town comply with all provisions of the Loan and Pledge Agreement between the Louisiana Department of Environmental Quality and the Town, which provides that the Town shall not provide services of the system free of charge to any person, firm, corporation, public agency, or instrumentality.

Current status: The condition remains unresolved for the year ended December 31, 1998. See FINDING NO. 98-4.

TOWN OF JENA, LOUISIANA
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 1998

FINDING 97-4: UTILITY BILLING SOFTWARE

Condition: This finding was an other comment stating the following areas of concern or deficiencies with the Town's utility billing software:

1. Inability to correct customer accounts with credit balances.
2. Lack of support from the vendor.
3. No recap of utility sales, which are not subject to sales tax, is provided.
4. Lack of subsidiary by fund for billed accounts.
5. Difficulty in verifying meter readers cards to the system due to lack of ease in identifying accounts.
6. Lack of interface with the general ledger.
7. Customer deposits are maintained on a manual index card system.

Recommendation: It was recommended that the Town upgrade or replace the existing utility billing software to better meet their needs.

Current status: The Town purchased new utility billing software; however, it was not fully implemented during the year ended December 31, 1998. The condition remains unresolved for the year ended December 31, 1998. See FINDING 98-5.

MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS

The Honorable Dale Willis, Mayor, and
Members of the Town Council
Town of Jena, Louisiana

In planning and performing our audit of the general purpose financial statements for the year ending December 31, 1998, we considered the Town's internal control over financial reporting to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and possible compliance with laws. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated May 17, 1999, contains our report on reportable conditions in the Town's internal control over financial reporting. This letter does not affect our report dated May 17, 1999, on the general purpose financial statements of the Town of Jena, Louisiana.

We will review the status of these comments and recommendations during our next audit engagement. We have already discussed these items with management personnel, and we will be pleased to discuss them with you in detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Payne, Moore & Herrington, LLP
Certified Public Accountants

May 17, 1999

MARVIN A. JUNEAU, C.P.A.
H. FRED RANDOW, C.P.A.
ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.
ROBERT W. DVORAK, C.P.A.
DALE P. DE SELLE, C.P.A.

REBECCA B. MORRIS, C.P.A.
MICHAEL A. JUNEAU, C.P.A.
L. PAUL HOOD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and Town Council
Town of Jena, Louisiana

FINDING 98-4: FREE SEWER SERVICE PROVIDED TO MUNICIPAL FACILITIES

Article II., Section 2.03(s) of the Loan and Pledge Agreement between the Louisiana Department of Environmental Quality and the Town provides that the Town shall not provide services of the system free of charge to any person, firm, corporation, public agency, or instrumentality. We were informed that the Town does not charge itself for sewer services provided to municipal facilities.

We recommend that the Town comply with all provisions of the Agreement.

MANAGEMENT'S RESPONSE

See corrective action plan.

FINDING 98-5: UTILITY BILLING SOFTWARE

We noted the following areas of concern or deficiencies with the current utility billing software:

1. Inability to correct customer accounts with credit balances.
2. Lack of support from the vendor.
3. No recap of utility sales, which are not subject to sales tax, is provided.
4. Lack of subsidiary separated by general fund and enterprise fund activities for billed accounts.
5. Difficulty in verifying meter readers cards to the system due to lack of ease in identifying accounts.
6. Lack of interface with the general ledger.
7. Customer deposits are maintained on a manual index card system rather than through the utility billing software.



PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and Town Council
Town of Jena, Louisiana

We recommend that management fully implement new software to better meet the Town's needs.

MANAGEMENT'S RESPONSE

See corrective action plan.

FINDING 98-6: INSUFFICIENT METER DEPOSIT

In testing a sample of 25 December 31, 1998, customer utility billings, we noted one customer account that was established on December 8, 1994 for which no water meter deposit was obtained.

We recommend that utility meter deposits be obtained on all required accounts.

MANAGEMENT'S RESPONSE

See corrective action plan.

FINDING 98-7: INVOICE PROCESSING

In performing a test of 80 General Fund and Utility Fund disbursements, we noted two invoices that did not total correctly to the amount paid.

We recommend that management develop control procedures for processing invoices whereby all extensions, footings, discounts, and freight terms are checked for accuracy, with the performance of such procedures clearly indicated on the face of the invoice.

MANAGEMENT'S RESPONSE

See corrective action plan.

FINDING 98-8: TRAVEL ADVANCES/REIMBURSEMENTS

During a test of 80 General Fund and Utility Fund disbursements, we noted 4 travel advances/reimbursements with inadequate supporting documentation.

We recommend that management develop a travel policy that includes guidelines for supporting documentation to be included with all travel reimbursements and advances and for reimbursement to the Town of the unused portions, if any, of travel advances.



PAYNE, MOORE & HERRINGTON, LLP

The Honorable Mayor and Town Council
Town of Jena, Louisiana

MANAGEMENT'S RESPONSE

See corrective action plan.

FINDING 98-9: BUDGET VARIANCE REPORTING

In reviewing the Town's Detailed Income Statement for the period ending December 31, 1998, for the General Fund and Sewer Sales Tax Fund, we noted that the year - to - date budget amounts on these reports did not agree to the final amended budget for the year ended December 31, 1998.

We recommend that management develop control procedures to ensure accurate financial reporting whereby original budgeted amounts and all approved budget amendments are properly recorded to the general ledger.

MANAGEMENT'S RESPONSE

See corrective action plan.