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TOWN OF MARION
MARION, LOUISIANA

AUDIT REPORT
YEAR ENDED
DECEMBER 31, 1998

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

Release Date 7-28-99

TOWN OF MARION
MARION, LOUISIANA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 1998

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June 4, 1999

INDEPENDENT AUDITORS' REPORT

The Honorable Kenneth W. Franklin, Mayor
and Members of the Board of Alderman

We have audited the accompanying general-purpose financial statements of the Town of Marion, Louisiana, as of an 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 Marion, Louisiana's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following two paragraphs, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

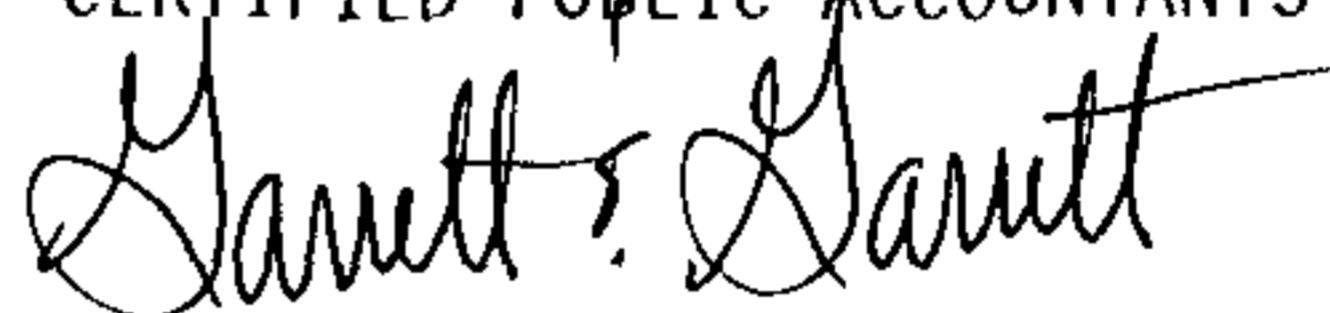
We were unable to obtain the financial activities for the Marion Volunteer Fire Department. (See Note #11)

The Honorable Kenneth W. Franklin, Mayor
and Members of the Board of Alderman
June 4, 1999
Page 2

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures and records of the Marion Volunteer Fire Department, the general-purpose financial statements referred above present fairly, in all material respects, the financial position of the Town of Marion, Louisiana, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

The accompanying statements of the cash accounts, schedule of insurance in force and graphs are not required part of the general purpose financial statements and are presented for purposes of additional analysis.

GARRETT & GARRETT
CERTIFIED PUBLIC ACCOUNTANTS

A handwritten signature in cursive script, appearing to read "Garrett & Garrett", written over the printed name of the firm.

TOWN OF MARION
 MARION, LOUISIANA
 COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1998

	GENERAL	ENTERPRISE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTAL (MEMORANDUM ONLY) PRIMARY GOVERNMENT
ASSETS					
Cash	\$ 37,296.30	\$ 99,725.83	\$.00	\$.00	\$ 137,022.13
Accounts Receivable (Net of allowances for uncollectables)	2,199.48	16,950.62	.00	.00	19,150.10
Inventory	.00	14,886.00	.00	.00	14,886.00
Restricted Assets	.00	13,046.77	.00	.00	13,046.77
Investments at Cost or Amortized Cost	.00	.00	.00	80,282.58	80,282.58
Resources to be Provided in Future Years	.00	11,900.00	5,725.00	.00	17,625.00
Land	.00	15,000.00	41,567.69	.00	56,567.69
Buildings	.00	1,219,533.95	102,564.00	.00	1,322,097.95
Improvements Other Than Buildings	.00	55,279.99	295,761.93	.00	351,041.92
Equipment	.00	(488,859.26)	.00	.00	(488,859.26)
Accumulated Depreciation	.00				
TOTAL ASSETS AND OTHER DEBTS	\$ 39,495.78	\$ 957,453.90	\$ 445,618.62	\$ 80,282.58	\$ 1,522,850.88
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Vouchers Payable	\$ 15,985.74	\$ 13,069.16	\$.00	\$.00	\$ 30,054.90
Accrued Liabilities	1,612.97	1,428.21	.00	.00	3,041.18
Payable for Customer's Deposit	.00	10,295.43	.00	.00	10,295.43
Notes Payable	.00	.00	.00	80,282.58	80,282.58
TOTAL LIABILITIES	\$ 18,598.71	\$ 24,792.80	\$.00	\$ 80,282.58	\$ 123,674.09
EQUITY AND OTHER CREDITS					
Contributed Capital	\$.00	\$ 495,214.86	\$.00	\$.00	\$ 495,214.86
Investment in General Fixed Assets	.00	.00	445,618.62	.00	445,618.62
Reserve	.00	.00	.00	.00	.00
Unreserved/Undesignated	20,897.07	437,456.24	.00	.00	458,353.31
TOTAL EQUITY AND OTHER CREDITS	\$ 20,897.07	\$ 932,671.10	\$ 445,618.62	\$.00	\$ 1,399,186.79
TOTAL LIABILITIES AND EQUITY AND OTHER CREDITS	\$ 39,495.78	\$ 957,453.90	\$ 445,618.62	\$ 80,282.58	\$ 1,522,850.88

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
GENERAL FUND

EXHIBIT B

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

<u>REVENUES</u>	
Taxes	
Sales	\$ 92,347.87
Property	23,079.76
Franchise	27,155.61
Licenses and Permits	24,993.13
Intergovernment Revenues	28,401.80
Charges for Services - Garbage	27,755.00
Fines and Forfeits	6,274.88
Miscellaneous	11,237.62
Interest Income	1,171.26
Total Revenues	<u>\$ 242,416.93</u>
<u>EXPENDITURES</u>	
Current	
General and Administrative	\$ 90,401.34
Police Department	51,921.09
Fire Department	5,817.03
Street Department	19,768.58
Garbage Department	17,953.29
Parks Department	1,244.86
Total Expenditures	<u>\$ 187,106.19</u>
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u>	<u>\$ 55,310.74</u>
<u>OTHER FINANCING SOURCES (USES)</u>	
Operating Transfers In Water and Sewer Department	<u>\$ 5,181.62</u>
<u>PAYMENTS FOR ACQUISITION OF CAPITAL ASSETS</u>	
General and Administrative	\$ 1,390.00
Police Department	12,442.27
Fire Department	50,304.47
Street Department	4,480.45
Total Payments for Acquisition of Capital Assets	<u>\$ 68,617.19</u>
<u>RURAL DEVELOPMENT GRANT - FIRE DEPARTMENT</u>	<u>\$ 17,700.00</u>
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) BEFORE EXTRAORDINARY ITEM</u>	<u>\$ 9,575.17</u>
Extraordinary Item: Receivable from Theft	<u>(6,500.00)</u>
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</u>	<u>\$ 3,075.17</u>
<u>FUND BALANCE - UNRESERVED JULY 1</u>	<u>17,821.90</u>
<u>FUND BALANCE - UNRESERVED JUNE 30</u>	<u>\$ 20,897.07</u>

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND

EXHIBIT C

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

<u>OPERATING REVENUES</u>	
Charges for Services	\$ 107,259.68
Sales Tax Collected	55,826.53
Miscellaneous	.00
Total Operating Revenues	\$ 163,086.21
<u>OPERATING EXPENSES</u>	
Cost of Sales and Services	\$ 101,588.68
Administrative	16,638.82
Depreciation	57,228.26
Total Operating Expenses	\$ 175,455.76
<u>OPERATING INCOME (LOSS)</u>	\$ (12,369.55)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Income	\$ 5,526.38
Interest Expense & Fiscal Charges	.00
Total Non-operating Revenues (Expenses)	\$ 5,526.38
<u>NET INCOME (LOSS) BEFORE OPERATING TRANSFERS</u>	\$ (6,843.17)
<u>TRANSFER TO/FROM OTHER FUNDS</u>	(5,181.62)
<u>NET INCOME (LOSS) BEFORE NON-OPERATING ADDITIONS (DEDUCTIONS)</u>	\$ (12,024.79)
Add Back Depreciation on Assets Acquired with Capital Grants	29,293.89
Net Income (Loss) Before Non-Operating Additions (Deductions)	\$ 17,269.10
<u>NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS: RECEIVABLE FROM THEFT</u>	(13,499.70)
Net Income (Loss)	\$ 3,769.40
<u>RETAINED EARNINGS - UNRESERVED JULY 1</u>	302,823.00
Adjustments to Beginning Balance	10,599.59
Adjustments to Beginning Contributed Capital Due to Depreciation	120,264.25
<u>RETAINED EARNINGS - UNRESERVED JUNE 30</u>	\$ 437,456.24

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Marion was incorporated 1909, under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Marion conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Government Units (Revised). The following is a summary of certain significant accounting policies.

Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Town executive and legislative branches (the Mayor and Board of Aldermen)(See Note #11). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibilities.

Fund Accounting

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

Government Funds Types

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

Proprietary Fund Types

Enterprise Fund - The Water Works and Sewer System Fund is used to account for the operations of the Water and Sewer Utility Enterprise Fund. Enterprise Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Proprietary Fund Types Continued

recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

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

The modified accrual basis of accounting is followed by all governmental funds (General Fund, Special Revenue Funds, Debt Service Funds), and expendable Trust Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Ad valorem taxes are considered "measurable" at the time of levy and are recognized as revenue at that time. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria is met.

Charges for general governmental services, fines and penalties, and miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Taxes, charges for services, and investment earnings are recorded as earned since they are measurable and available.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water Works and Sewer System Fund utility service receivables are recorded at year end.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Budgets and Budgetary Accounting

The Mayor and Council Members follow these procedures in establishing the budgetary data reflected in the financial statements:

(1) Prior to December 31, the Town Clerk submits to the Mayor and Council Members a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. Budgetary Control is exercised at the departmental level.

(2) Public hearings are conducted to obtain taxpayer comment.

(3) During either month of November or December the budget is legally enacted through passage of an ordinance.

(4) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Fund, if any.

(5) Budgets are for the General, Debt Service, and Special Revenue Funds are adopted on a basis of cash receipts and cash disbursements which is a variance with generally accepted accounting principles. Conversions to GAAP basis are made at close of year.

(6) Appropriations lapse at the end of each fiscal year.

(7) The Mayor and Council Members may authorize supplemental appropriations during the year. Supplemental appropriations were made during the fiscal year.

Investments

Louisiana Statutes permit the Town to invest in United State bonds, treasury notes, or certificates. Investments are stated at cost or amortized cost, which approximates market.

Inventories

Inventory held by the Water Works and Sewer System Fund is carried at the lower of cost (first-in, first-out) or market. Inventory acquisitions in the General Fund are recorded in expense accounts initially and charged as current assets when not used at the end of the fiscal year. Minimum amounts of inventory are

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Inventories Continued

not maintained, therefore, equity reserves for inventory have not been established. The cost value of such inventories in the General Fund were of an immaterial amount at the close of the fiscal year and, accordingly, were not recorded in the financial statements.

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending of "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (generally fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been capitalized. Such assets are normally immovable and of value only to the Town. Therefore, the purpose of stewardship for these items is satisfied without recording of these assets. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

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

The two account groups are not "funds." They are concerned only with the measurement of financial position, and are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Fixed Assets and Long-Term Liabilities Continued

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations.

Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Utility Plant/Sewer Collection System	5 - 40 Years
Machinery & Equipment	3 - 10 Years

Restricted Assets

These assets consist of cash and cash equivalents restricted for the customer water deposits.

Compensated Absences

Town employees are entitled to ten days vacation time per year. Forty hours are vested after six months of employment. Sick time is accrued at the same rate. Any vacation time is paid at the termination of employment, while sick time is not guaranteed. Therefore, unpaid vacation time has been recorded as an accrued payable, while sick time has not.

Total Columns on Combined Statements - Overview

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

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #2 - CASH

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principle offices in Louisiana.

At December 31, 1998, the Town has cash totaling \$150,098.90, as follows:

Cash in Checking or On Hand	\$ 41,643.72
Certificates of Deposits	95,378.41
Restricted Assets (Cash)	<u>13,046.77</u>
Total	<u>\$ 150,068.90</u>

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 bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These securities are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties. The State of Louisiana banking regulations require the FDIC to insure \$100,000 of checking and \$100,000 of savings for each municipality. Cash and cash equivalents (bank balances) at December 31, 1999, are secured as follows:

Bank Balances	<u>\$ 149,818.90</u>
Federal Deposit Insurance	\$ 143,217.01
Pledge Securities	<u>6,601.89</u>
Total	<u>\$ 149,818.90</u>

Pledge Securities are actually \$200,000, but the amount needed above the FDIC requirement is only \$6,601.89

NOTE #3 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Tax notices are usually mailed during November each year and become delinquent after December 31, of the year.

All property taxes are recognized in compliance with NCGA Interpretation - 3 (Revenue Recognition - Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no later than sixty days after

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #3 - PROPERTY TAXES CONTINUED

the close of the current period. For the Year Ended December 31, 1998, taxes of 5.82 mills were levied on property with assessed valuations totaling \$3,541,740 and were dedicated as follows:

General Fund	5.82 Mills
--------------	------------

Total taxes levied in 1998 were \$20,597.83

NOTE #4 - RECEIVABLES

A summary of receivables as of December 31, 1998, follows:

General Fund	
Property Taxes	\$ 1,993.19
Refund Due from Union Parish Sheriff Office on Property Taxes	206.29
Total General Fund	\$ 2,199.48
Enterprise Fund Water/Sewerage	
Trade Accounts	\$ 21,821.62
Allowance for Doubtful Accounts	4,871.00
Total Enterprise Fund Water/Sewerage	\$ 16,950.62
Total All Funds	\$ 19,150.10

Contingent Receivables

In the prior year, receivables were set up for money stolen by Gail Durbin, the former Town Clerk, in the amount of \$6,500.00 in the General Fund and \$13,500 in the Water Department. At her hearing, the judge ordered the defendant to make restitution to the Town of Marion by the end of seven and one half years. The general consensus of opinion is that the Town will not receive any reimbursement from Miss Durbin. The Town had insurance to cover part of this loss. The Prior C.P.A. set up the insurance coverage as the receivable in 1997. The Town has been notified by their insurance company that they would not cover this claim, because the Town knew that Miss Durbin had stolen from her prior job.

NOTE #5 - ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for Doubtful Accounts for the Proprietary Fund - Water/Sewer Receivable Accounts is based on the collectibility of outstanding receivables.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #6 - RESTRICTED ASSETS - WATER/SEWER

These assets consist of cash restricted for the Water Meter Deposits.

Customers' Deposits on Meters \$ 13,046.77

NOTE #7 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>BALANCE</u> <u>01/01/98</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/98</u>
Land	\$ 725.00	\$ 5,000.00	\$.00	\$ 5,725.00
Buildings	38,000.00	18,567.69	15,000.00	41,567.69
Other Improvements	102,564.00	.00	.00	102,564.00
Equipment	<u>260,878.00</u>	<u>42,433.93</u>	<u>7,550.00</u>	<u>295,761.93</u>
Total General Fixed Assets	<u>\$402,167.00</u>	<u>\$ 66,001.62</u>	<u>\$ 22,550.00</u>	<u>\$445,618.62</u>

A summary of propriety fund type property, land and equipment at December 31, 1998:

Land	\$ 11,900.00
Building Improvement	15,000.00
Water/Sewer Treatment System	1,219,533.95
Vehicles and Equipment	<u>55,279.99</u>
Total	\$ 1,301,713.94
Less Accumulated Depreciation	<u>488,859.26</u>
Net	<u>\$ 812,854.68</u>

NOTE #8 - CHANGES IN LONG-TERM DEBT

Notes payable at December 31, 1998 are comprised of the following individual issues:

1. Bank One - Loan on Fire Truck
 - Original Note: \$100,000
 - Date: December 1996
 - Interest: Variable (at present 6.15%)
 - Monthly Payment: \$1,468.05

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #8 - CHANGES IN LONG-TERM DEBT CONTINUED

Total interest and principal paid in 1998 were \$5,573.26 and \$13,557.59, respectively.

YEAR ENDING 12/31	Principal	INTEREST	TOTAL PAYMENTS
1999	\$ 12,468.02	\$ 3,878.53	\$ 16,346.55
2000	14,425.41	3,407.19	17,832.60
2001	15,338.00	2,494.60	17,832.60
2002	16,308.33	1,524.27	17,832.60
2003	15,868.42	492.51	16,360.93
	<u>\$ 74,408.18</u>	<u>\$ 11,797.10</u>	<u>\$ 86,205.28</u>

2. Marion State Bank - Unsecured Loan
Original Note: \$9,220
Date: March 2, 1998
Interest: 8%
Monthly Payment: \$417.09

Proceeds were used to buy a new police car. Total interest and principal paid in 1998 were \$888.88 and \$3,345.30, respectively.

YEAR ENDING 12/31	Principal	INTEREST	TOTAL PAYMENTS
1999	\$ 4,803.63	\$ 296.37	\$ 5,100.00
2000	1,071.07	11.50	1,082.57
	<u>\$ 5,874.70</u>	<u>\$ 307.87</u>	<u>\$ 6,182.57</u>

3. Farmer's Finance Co., Inc. - 485 Mahinda Tractor
Original Note: \$12,704.16
Date: September 1, 1996
Interest: 9.9%
Monthly Payment: \$404.34

The final payment was made on this note in August 1998. Interest and principal paid were \$117.96 and \$4,362.49, respectively.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #9 - COMPENSATION MAYOR AND BOARD

Schedule of Compensation Paid to the Mayor and Aldermen/Women
For the Year Ended December 31, 1998

Mayor Kenneth W. Franklin P. O. Box 405 Marion, LA 71260 318 292-4485	\$ 4,500.00
Alderman Ralph Holley P. O. Box 407 Marion, LA 71260 318 292-5471	720.00
Alderman George Futch P. O. Box 152 Marion, LA 71260 318 292-5500	720.00
Alderman Johnny B. Gilliam P. O. Box 408 Marion, LA 71260 318 292-5550	720.00
Alderman Johnny Ziegler P. O. Box 346 Marion, LA 71260 318 292-4326	720.00
Alderman Charles McCartney Rt. 1, Box 97 A Marion, LA 71260 318 292-4212	480.00
Alderman Glen Aulds P. O. Box 271 Marion, LA 71260 318 292-4629	240.00

NOTE #10 - PENSION COST

The only policeman that was in the retirement system terminated his employment during 1998.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #11 - MARION VOLUNTEER FIRE DEPARTMENT

The Marion Volunteer Fire Department covers the Marion Fire District of Union Parish, with the majority of the fire district being the rural area. The expenditures of the fire department are funded by an annual fire insurance rebate, which is included in the transactions of the General Fund. The Fire Department has separate cash accounts that are not included in this financial statement.

According to the 1099 received from the bank, the Volunteer Fire Department uses the same Federal I. D. number as the Town of Marion. Therefore, it seems the fire department is a department of the General Fund and not a component unit, of the Town. We have not audited or reviewed any transactions of the Marion Volunteer Fire Department separate cash accounts other than those transactions covered by the General Fund financial statements.

NOTE #12 - PRIOR PERIOD ADJUSTMENTS - ACCOUNTING ADJUSTMENTS

In addition, certain errors in the accounting records were detected by management subsequent to issuance of the financial statements for the year ended December 31, 1998. Adjustments to the affected retained earnings and the effect on beginning retained earnings balance is presented below:

	<u>RETAINED EARNINGS</u>
Retained Earnings as Originally Reported	\$ 302,823.00
Adjustment to Beginning Cash Balances	10,599.59
Adjustment to Beginning Contributed Capital	120,264.25
Retained Earnings, 01/01/98, Restated	<u>\$ 433,686.84</u>

NOTE #13 - YEAR 2000 COMPLIANCE

We did not audit and do not express an opinion on the Town of Marion, Louisiana's Year 2000 compliance. We did inquire to management about their costs regarding the year 2000 problem. As far as they know, their total cost connected with year 2000 is about \$2,000 for a new computer in the water department.

NOTE #14 - CONTINGENCIES

The Town of Marion is involved in a lawsuit that charges their police department with exerting undue force, violence and harassment against a Marion man. The Mayor feels that the Town's insurance policy should cover any payment of damages, if any. Their attorney handling this lawsuit would not respond to inquiries about this matter.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE #15 GENERAL FUND BUDGET

The budgeted revenue was adjusted in November 1998 to account for an increase in sales tax from a purchase of some expensive equipment. In March 1998, the Union Parish sales tax office notified the Town that the equipment was leased instead of purchased and the Town owed the sales tax office \$14,476.00 from the General Fund and \$9,650.85 from the Water Department.

FINANCIAL STATEMENTS
OF INDIVIDUAL FUNDS

GENERAL FUND

TOWN OF MARION
MARION, LOUISIANA
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 1998

STATEMENT A-1

ASSETS

CURRENT ASSETS

Cash \$ 37,296.30

ACCOUNTS RECEIVABLE 2,199.48

TOTAL ASSETS \$ 39,495.78

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Vouchers Payable \$ 16,985.74

Accrued Liabilities 1,612.97

Total Current Liabilities \$ 18,598.71

EQUITY

Unreserved \$ 20,897.07

TOTAL LIABILITIES AND EQUITY \$ 39,495.78

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
GENERAL FUND

STATEMENT A-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

<u>REVENUES</u>	
Taxes	
Sales	\$ 92,347.87
Property	23,079.76
Franchise	27,155.61
Licenses and Permits	24,993.13
Intergovernment Revenues	28,401.80
Charges for Services - Garbage	27,755.00
Fines and Forfeits	6,274.88
Miscellaneous	11,237.62
Interest Income	1,171.26
Total Revenues	<u>\$ 242,416.93</u>
<u>EXPENDITURES</u>	
Current	
General and Administrative	\$ 90,401.34
Police Department	51,921.09
Fire Department	5,817.03
Street Department	19,768.58
Garbage Department	17,953.29
Parks Department	1,244.86
Total Expenditures	<u>\$ 187,106.19</u>
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u>	<u>\$ 55,310.74</u>
<u>OTHER FINANCING SOURCES (USES)</u>	
Operating Transfers In Water and Sewer Department	<u>\$ 5,181.62</u>
<u>PAYMENTS FOR ACQUISITION OF CAPITAL ASSETS</u>	
General and Administrative	\$ 1,390.00
Police Department	12,442.27
Fire Department	50,304.47
Street Department	4,480.45
Total Payments for Acquisition of Capital Assets	<u>\$ 68,617.19</u>
<u>RURAL DEVELOPMENT GRANT - FIRE DEPARTMENT</u>	<u>\$ 17,700.00</u>
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) BEFORE EXTRAORDINARY ITEM</u>	<u>\$ 9,575.17</u>
Extraordinary Item: Receivable from Theft	<u>(6,500.00)</u>
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</u>	<u>\$ 3,075.17</u>
<u>FUND BALANCE - UNRESERVED JULY 1</u>	<u>17,821.90</u>
<u>FUND BALANCE - UNRESERVED JUNE 30</u>	<u>\$ 20,897.07</u>

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
GENERAL FUND

STATEMENT A-3

STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

<u>REVENUE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Taxes			
Sales	\$ 110,000.00	\$ 92,347.87	\$ (17,652.13)
Property	18,000.00	23,079.76	5,079.76
Franchise	23,700.00	27,155.61	3,455.61
Licenses and Permits	28,430.00	24,993.13	(3,436.87)
Intergovernment Revenues	25,737.00	28,401.80	2,664.80
Charges for Services - Garbage	27,600.00	27,755.00	155.00
Fines and Forfeits	6,100.00	6,274.88	174.88
Miscellaneous	19,820.00	11,237.62	(8,582.38)
Interest Income	500.00	1,171.26	671.26
Total Revenues	<u>\$ 259,887.00</u>	<u>\$ 242,416.93</u>	<u>\$ (17,470.07)</u>
 <u>EXPENDITURES</u>			
Current			
General and Administrative	\$ 121,495.00	\$ 90,401.34	\$ 31,093.66
Police Department	48,450.00	51,921.09	(3,471.09)
Fire Department	4,527.00	5,817.03	(1,290.03)
Street Department	20,750.00	19,768.58	981.42
Garbage Department	18,890.00	17,953.29	936.71
Parks Department	700.00	1,244.86	(544.86)
Total Expenditures	<u>\$ 214,812.00</u>	<u>\$ 187,106.19</u>	<u>\$ 27,705.81</u>
 <u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u>	 <u>\$ 45,075.00</u>	 <u>\$ 55,310.74</u>	 <u>\$ 10,235.74</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In Water and Sewer Department	 <u>\$ 21,247.00</u>	 <u>\$ 5,181.62</u>	 <u>\$ (16,065.38)</u>
 <u>PAYMENTS FOR ACQUISITION OF CAPITAL ASSETS</u>			
General and Administrative	\$ 11,000.00	\$ 1,390.00	\$ 9,610.00
Police Department	21,775.00	12,442.27	9,332.73
Fire Department	42,700.00	50,304.47	(7,604.47)
Street Department	5,000.00	4,480.45	519.55
Total Payments	<u>\$ (80,475.00)</u>	<u>\$ (68,617.19)</u>	<u>\$ 11,857.81</u>
 <u>RURAL DEVELOPMENT GRANT</u>	 <u>\$ 17,700.00</u>	 <u>\$ 17,700.00</u>	 <u>\$.00</u>
 <u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) BEFORE EXTRAORDINARY ITEM</u>	 <u>\$ 3,547.00</u>	 <u>\$ 9,575.17</u>	 <u>\$ 6,028.17</u>

See accompanying notes and auditors' report.

GENERAL LONG-TERM DEBT

STATEMENT B-1

TOWN OF MARION
MARION, LOUISIANA
GENERAL LONG-TERM DEBT
BALANCE SHEET
DECEMBER 31, 1998

	<u>BANK ONE</u> <u>FIRE TRUCK</u>	<u>MARION</u> <u>STATE BANK</u>	<u>1998</u>
<u>RESOURCES TO BE PROVIDED IN FUTURE</u> <u>YEARS</u>			
General Fund	\$ <u>74,408.18</u>	\$ <u>5,874.70</u>	\$ <u>80,282.88</u>
TOTAL AVAILABLE AND TO BE PROVIDED	\$ <u>74,408.18</u>	\$ <u>5,874.70</u>	\$ <u>80,282.88</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>	\$ <u>74,408.18</u>	\$ <u>5,874.70</u>	\$ <u>80,282.88</u>
<u>TOTAL GENERAL LONG-TERM</u> <u>DEBT PAYABLE</u>	\$ <u>74,408.18</u>	\$ <u>5,874.70</u>	\$ <u>80,282.88</u>

See accompanying notes and auditors' report.

ENTERPRISE FUND

STATEMENT C-1

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND
BALANCE SHEET
DECEMBER 31, 1998

<u>ASSETS</u>		<u>LIABILITIES AND EQUITY</u>	
<u>CURRENT ASSETS</u>		<u>CURRENT LIABILITIES</u>	
Cash	\$ 99,725.83	Vouchers Payable	\$ 13,069.16
Accounts Receivable (Net of Allowance for Uncollectables)	16,950.62	Other Accrued Expenses Payable for Customer's Deposit	1,428.21
Inventory	14,885.00	Total Current Liabilities	<u>10,295.43</u>
Total Current Assets	<u>\$ 131,562.45</u>		
<u>RESTRICTED ASSETS</u>		<u>EQUITY</u>	
Meter Deposit - Checking	\$ 1,823.29	Contributed Capital	<u>\$ 495,214.86</u>
Meter Deposit - Savings	11,223.48		
Total Restricted Assets	<u>\$ 13,046.77</u>	<u>RETAINED EARNINGS</u>	
<u>FIXED ASSETS</u>		Unreserved	\$ 437,455.24
Property, Machinery and Equipment	\$ 1,289,813.94	Reserved	.00
Less: Accumulated Depreciation	488,859.26	Total Retained Earnings	<u>\$ 437,455.24</u>
Net Property, Machinery and Equipment	\$ 800,954.68		
Land	11,900.00	<u>TOTAL EQUITY</u>	<u>\$ 932,671.10</u>
Total Fixed Assets	<u>\$ 812,854.68</u>		
<u>TOTAL ASSETS</u>	<u>\$ 957,463.90</u>	<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$ 957,463.90</u>

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND

STATEMENT C-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

<u>OPERATING REVENUES</u>	
Charges for Services	\$ 107,259.68
Sales Tax Collected	55,826.53
Miscellaneous	.00
Total Operating Revenues	\$ 163,086.21
<u>OPERATING EXPENSES</u>	
Cost of Sales and Services	\$ 101,588.68
Administrative	16,638.82
Depreciation	57,228.26
Total Operating Expenses	\$ 175,455.76
<u>OPERATING INCOME (LOSS)</u>	<u>\$ (12,369.55)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Income	\$ 5,526.38
Interest Expense & Fiscal Charges	.00
Total Non-operating Revenues (Expenses)	\$ 5,526.38
<u>NET INCOME (LOSS) BEFORE OPERATING TRANSFERS</u>	<u>\$ (6,843.17)</u>
<u>TRANSFER TO/FROM OTHER FUNDS</u>	<u>(5,181.62)</u>
<u>NET INCOME (LOSS) BEFORE NON-OPERATING</u>	<u>\$ (12,024.79)</u>
<u>ADDITIONS (DEDUCTIONS)</u>	
Add Back Depreciation on Assets Acquired with Capital Grants	29,293.89
Net Income (Loss) Before Non-Operating Additions (Deductions)	\$ 17,269.10
<u>NET INCOME (LOSS) BEFORE EXTRAORDINARY</u>	<u>(13,499.70)</u>
<u>ITEMS: RECEIVABLE FROM THEFT</u>	
Net Income (Loss)	\$ 3,769.40
<u>RETAINED EARNINGS - UNRESERVED JULY 1</u>	302,823.00
Adjustments to Beginning Balance	10,599.59
Adjustments to Beginning Contributed Capital Due to Depreciation	120,264.25
<u>RETAINED EARNINGS - UNRESERVED JUNE 30</u>	<u>\$ 437,456.24</u>

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND
STATEMENT OF CHANGES IN CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

STATEMENT C-3

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Net Income (Loss)	\$ 3,769.40
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation (Net of Add Back)	27,934.37
(Increase) Decrease in Accounts Receivable	14,409.38
(Increase) Decrease in Inventory	5,302.00
Increase (Decrease) in Vouchers Payable	(2,297.84)
Increase (Decrease) in Other Accrued Expense	1,428.21
Increase (Decrease) in Customer Deposits	<u>2,246.43</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 52,791.95</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Fixed Assets	<u>\$ (42,514.94)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Receipt of Rural Development Grant	<u>\$ 4,800.00</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Building Swap	<u>\$ (5,000.00)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>\$ 10,077.01</u>
<u>CASH AT BEGINNING OF YEAR</u>	92,096.00
Adjustment to Beginning Cash Balance	<u>10,599.59</u>
<u>CASH AT END OF YEAR</u>	<u>\$ 112,772.60</u>
Cash Paid for Interest	<u>\$.00</u>

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND
SCHEDULE OF DETAIL OF EXPENSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

STATEMENT C-4

COST OF SALES AND SERVICES

Salaries	\$ 38,892.48
Payroll Taxes	1,895.33
Repairs and Maintenance Supplies	31,749.64
Sales Taxes	4,350.01
Utilities	11,650.44
Insurance	13,050.78
Total Cost of Sales and Services	<u>\$ 101,588.68</u>

ADMINISTRATIVE

Salaries	\$ 7,515.88
Bad Debts	212.94
Office and Postage	5,948.34
Miscellaneous	361.66
Accounting and Auditing	2,600.00
Total Administrative	<u>\$ 16,638.82</u>

See accompanying notes and auditors' report.

STATEMENT C-5

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND - WATER AND SEWER DEPARTMENT
SCHEDULE OF UTILITY PLANT AND EQUIPMENT
DECEMBER 31, 1998

	<u>ACQUIRED</u>	<u>LIFE</u>	<u>COST</u>	<u>DEPRECIATION</u>	<u>NET</u>	<u>CURRENT DEPRECIATION</u>
<u>BUILDINGS AND IMPROVEMENTS</u>						
<u>BUILDING</u>						
Water and Sewer System	39		\$ 15,000.00	\$ 192.31	\$ 14,807.69	\$ 192.31
Storage Tanks	5 - 40		\$ 898,813.95	\$ 321,712.46	\$ 577,101.49	\$ 34,895.60
Total	20 - 40		<u>\$1,219,533.95</u>	<u>\$ 456,547.39</u>	<u>\$ 762,986.56</u>	<u>\$ 49,667.39</u>
<u>MACHINERY AND EQUIPMENT</u>						
Equipment	3 - 10		<u>\$ 55,279.99</u>	<u>\$ 32,119.56</u>	<u>\$ 23,160.43</u>	<u>\$ 7,368.56</u>
<u>LAND</u>			<u>\$ 11,900.00</u>	<u>.00</u>	<u>\$ 11,900.00</u>	<u>\$.00</u>
<u>GRAND TOTAL</u>			<u>\$1,301,713.94</u>	<u>\$ 488,859.26</u>	<u>\$ 812,854.68</u>	<u>\$ 57,228.26</u>

See accompanying notes and auditors' report.

GENERAL FIXED ASSETS ACCOUNT GROUP

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
DECEMBER 31, 1998

STATEMENT D-1

GENERAL FIXED ASSETS

Land	\$ 5,725.00
Building	41,567.69
Improvements Other Than Building	102,564.00
Machinery and Equipment	<u>295,761.93</u>

<u>TOTAL GENERAL FIXED ASSETS</u>	<u>\$ 445,618.62</u>
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INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE

General Fund	\$ 321,905.62
Federal Grants	19,370.00
State Grants	85,152.00
Unidentified	<u>19,191.00</u>

<u>TOTAL INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE</u>	<u>\$ 445,618.62</u>
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See accompanying notes and auditors' report.

STATEMENT D-2

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

	<u>LAND</u>	<u>BUILDING</u>	<u>IMPROVEMENTS OTHER THAN BUILDING</u>	<u>MACHINERY AND EQUIPMENT</u>
<u>GENERAL FIXED ASSETS</u> January 1, 1998	\$ 725.00	\$ 38,000.00	\$ 102,564.00	\$ 260,878.00
<u>ADDITIONS</u>	5,000.00	18,567.69	.00	42,433.93
<u>DEDUCTIONS</u> Assets Sold and Retired	<u>.00</u>	<u>15,000.00</u>	<u>.00</u>	<u>7,550.00</u>
<u>GENERAL FIXED ASSETS</u> <u>DECEMBER 31, 1998</u>	<u>\$ 5,725.00</u>	<u>\$ 41,567.69</u>	<u>\$ 102,564.00</u>	<u>\$ 295,761.93</u>

COMMENTS ON COMPLIANCE AND INTERNAL CONTROL

GARRETT & GARRETT
CERTIFIED PUBLIC ACCOUNTANTS
119 PROFESSIONAL DRIVE
WEST MONROE, LOUISIANA 71291

CAROLYN V. GARRETT
JUDY D. GARRETT

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FAX: 318 322-5577

E-MAIL: PRO119@IAMERICA.NET

June 4, 1999

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

The Honorable Kenneth W. Franklin, Mayor
and Members of the Board of Alderman

We have audited the financial statements of the Town of Marion, Louisiana as of and for the year ended December 31, 1998, and have issued our report thereon dated June 4, 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 Marion, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Marion, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The Honorable Kenneth W. Franklin, Mayor
and Members of the Board of Alderman
June 4, 1999
Page 2

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

GARRETT & GARRETT
CERTIFIED PUBLIC ACCOUNTANTS

Garrett & Garrett
Date June 4, 1999

GARRETT & GARRETT
CERTIFIED PUBLIC ACCOUNTANTS
119 PROFESSIONAL DRIVE
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CAROLYN V. GARRETT
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FAX: 318 322-5577

E-MAIL: PRO119@IAMERICA.NET

June 4, 1999

INDEPENDENT AUDITORS' REPORT ON LOUISIANA
SYSTEMS SURVEY AND COMPLIANCE QUESTIONNAIRE

The Honorable Kenneth W. Franklin, Mayor
and Members of the Board of Alderman

At your request, we have also examined Parts III through VIII of the accompanying "System Survey and Compliance Questionnaire" of the Town of Marion, Louisiana, covering the period January 1, 1998 to December 31, 1998. Our examination was made in accordance with the procedures enumerated in the Systems Survey and Compliance Questionnaire - Recommended Procedures for Auditing.

In connection with our examination which included the procedures referred to in the preceding paragraph, nothing came to my attention that caused me to believe that the responses to the attached questionnaire are not fairly stated.

GARRETT & GARRETT
CERTIFIED PUBLIC ACCOUNTANTS

Garrett & Garrett

Date

June 4, 1999

ADDITIONAL AND SUPPLEMENTARY INFORMATION

TOWN OF MARION
MARION, LOUISIANA
CASH ACCOUNTS
DECEMBER 31, 1998

STATEMENT E-1

	<u>INTEREST RATE</u>	<u>GENERAL FUND</u>	<u>WATER AND SEWER</u>	<u>TOTAL FUNDS</u>
<u>CASH ACCOUNTS</u>				
Regular Checking	2.75%	\$ 26,146.30	\$ 15,247.42	\$ 41,393.72
Petty Cash	-	150.00	100.00	250.00
Total		<u>\$ 26,296.30</u>	<u>\$ 15,347.42</u>	<u>\$ 41,643.72</u>
<u>INVESTED FUNDS</u>				
Certificate of Deposit	5.50%	\$ 11,000.00	\$.00	\$ 11,000.00
Certificate of Deposit	5.50%	.00	75,857.92	75,857.92
Certificate of Deposit	5.75%	.00	8,520.49	8,520.49
Total		<u>\$ 11,000.00</u>	<u>\$ 84,378.41</u>	<u>\$ 95,378.41</u>
<u>RESTRICTED FUNDS</u>				
Water Meter Checking		\$.00	\$ 1,823.29	\$ 1,823.29
C. D. - Water Meter		.00	11,223.48	11,223.48
Total		<u>\$.00</u>	<u>\$ 13,046.77</u>	<u>\$ 13,046.77</u>
<u>GRAND TOTALS</u>		<u>\$ 37,296.30</u>	<u>\$ 112,772.60</u>	<u>\$ 150,068.90</u>

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
DECEMBER 31, 1998

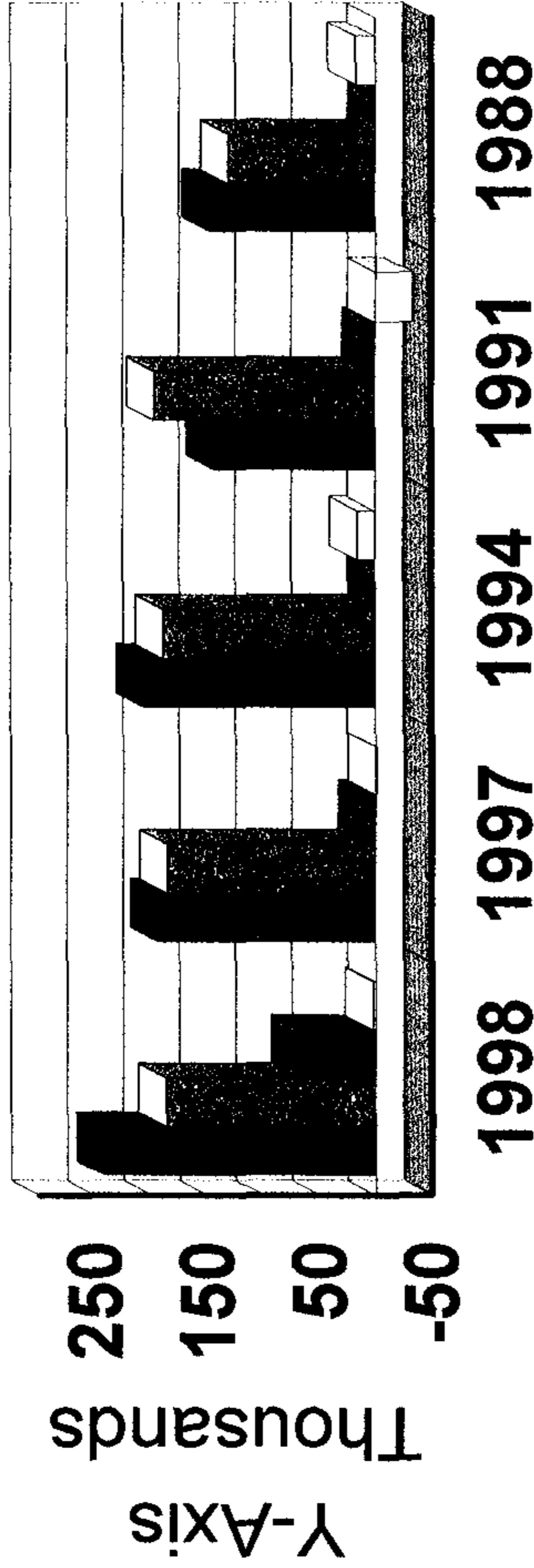
INSURANCE COMPANY	POLICY	DATE	COVERAGE TYPE	AMOUNT	PREMIUM
Trinity Insurance	-	09/16/98 - 09/15/99	Building Contents	48,000 12,100	\$ 333.00
Western Security Insurance	-	02/10/98 - 02/10/99	Bond - Office Staff Bond - Chief of Police	17,500 5,000	195.00
Louisiana Municipal Risk Management Agency	-	05/01/98 - 05/01/99	Auto Limit General Liability Limit Medical - Per Person Medical - Per Accident Fire Legal Liabilities Per Occurrence	500,000 500,000 1,000 10,000 50,000	4,943.00 4,606.00
Audubon Indemnity Co.	AIGDP7H 1531J516234	12/19/98 - 12/19/99	Law Enforcement Officers Deductible Limit Public Officials Errors and Omissions Liability Deductibles Limits	1,000 500,000 1,000 500,000	2,700.00 2,495.00
Louisiana Risk Management	-		1996 Ferrera Fire Truck Deductibles Comprehensive Collision Workmen's Comp.	126,564 10,000 10,000	2,058.00 8,114.67

GRAPHS

TOWN OF MARION

GENERAL FUND

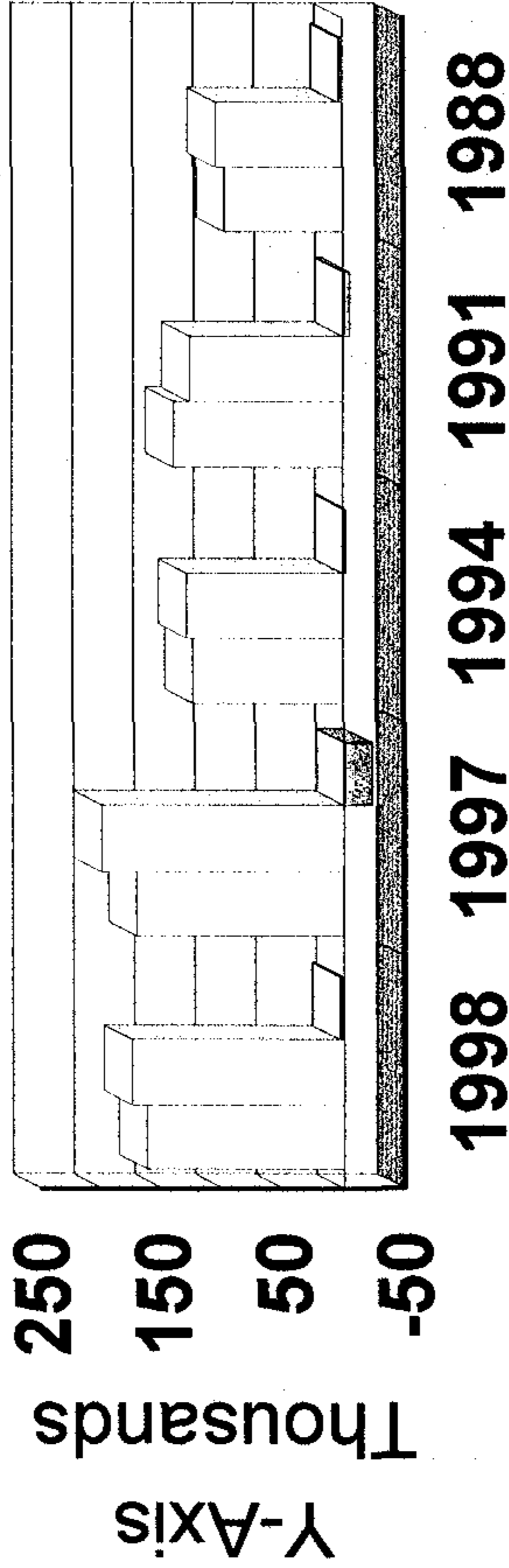
DECEMBER 31, 1998



	1998	1997	1994	1991	1988
■ REVENUES	\$242,417	\$193,880	\$205,976	\$143,859	\$147,930
▨ EXPENDITURES	\$187,106	\$186,016	\$189,977	\$196,718	\$130,950
■ CAPITAL ASSETS	\$68,617	\$8,808	\$0	\$5,016	\$0
□ INCOME (LOSS)	\$3,075	(\$712)	\$15,999	(\$33,490)	\$18,019

See accompanying notes and auditors' report.

**TOWN OF MARION
WATER & SEWER FUND
DECEMBER 31, 1998**



	1998	1997	1994	1991	1988
REVENUES	\$163,086	\$171,569	\$123,845	\$140,150	\$98,397
EXPENSES	\$175,456	\$200,265	\$129,417	\$126,528	\$104,775
INCOME (LOSS)	\$3,769	(\$23,339)	(\$2,319)	(\$5,430)	\$3,440

See accompanying notes and auditors' report.

AUDIT RECOMMENDATIONS AND REPLIES

GARRETT & GARRETT
CERTIFIED PUBLIC ACCOUNTANTS
119 PROFESSIONAL DRIVE
WEST MONROE, LOUISIANA 71291

CAROLYN V. GARRETT
JUDY D. GARRETT

PHONE: 318 322-0845
FAX: 318 322-5577

E-MAIL: PRO119@IAMERICA.NET

June 4, 1999

The Honorable Kenneth Franklin, Mayor
and Members of the Board of Alderman

Gentlemen:

We would like to make the following recommendations to the Town of Marion:

1. CASH

PRIOR YEAR

In last year's audit report, the auditors listed problems with internal control over cash. There is still a problem with the Town's Clerk segregation of duties in the cash area. The clerk is the town's bookkeeper, therefore, she writes the checks, signs them and reconciles the bank statement. In a small town the cost to separate these duties would cost more money than they are willing to pay. The town has some controls over cash. The mayor and an alderman approves invoices and at least one signs the checks. The council also gets a copy of the bank statements including copies of the checks and deposits. Also, any check made out to the clerk is signed by other parties other than the clerk.

2. WATER AND SEWER RECEIVABLES

RECOMMENDATION

Some customers are not paying their utility bills and are still receiving services. The Town should be more consistent in their termination of service policies.

To encourage more customers to pay on time, the Town could institute a connection fee of \$15 to \$50 for customers who have their water disconnected.

REPLY

Mayor will discuss with the council instituting a reconnection charge.

3. PURCHASE ORDERS

RECOMMENDATION

The Town should start using purchase orders for all their expenses. Some of the invoices do not have enough information on them to identify what fund and account they should be charged to. Purchase Orders would help solve this problem as well as duplicate payments and price controls. At the very least, special construction projects should have purchase orders so the clerk can keep separate folders for each project.

REPLY

Mayor Franklin and the supervisor of the water department will work on a suitable plan to solve these problems.

4. PAYROLL

RECOMMENDATION

Each employees folder should include an employment history with their approved salary and position.

REPLY

Clerk will include this information in each employee's folder.

5. WATER DEPARTMENT WATER LEAKS

RECOMMENDATION

The handling of water leaks are not consistent between all customers. We suggest that the Town give the customer two billing cycle to fix the water leak. After the leak is fixed, the customer's bill will be adjusted to an average charge.

Section 8 housing water leaks are a problem because the customer is not the owner of the property. What happens is the leaks are sometimes not fixed and the renters are not able to pay the water bill. We recommend that the Town contact the owners and the local Housing Authority.

REPLY

The council will discuss this problem and take appropriate action.

6. VOLUNTEER FIRE DEPARTMENT

RECOMMENDATION

The Volunteer Fire Department has separate checking accounts that the Town does not control. These accounts have never been included in the operations of the Town. The income is received from a combination of fund raisers and donations. The money is used for special needs of the fire department.

To keep this fund separate from the town's control, a separate federal identification number and a nonprofit status should be applied for with the Internal Revenue Service.

REPLY

The mayor and council will look into the matter and take appropriate actions.

7. INVENTORY

RECOMMENDATION

The water and sewer department is stocking obsolete items that were bought several years ago. We recommend that you try selling them to other water and sewer providers or sell the items for scrap.

REPLY

The council will take appropriate action to dispose of the inventory.



Town of Marion

398 Main Street
Marion, LA 71260
Telephone: (318) 292-4715
Fax: (318) 292-4717



June 4, 1999

Louisiana Legislative Auditor

Gentlemen:

The following are recommendations to the Town of Marion from our auditors Garrett & Garrett, CPAs.

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Kenneth Franklin, Mayor
Town of Marion, Louisiana