

TOWN OF MERRYVILLE
ANNUAL FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT
JUNE 30, 2003

TABLE OF CONTENTS

	Statement	Page(s)
INDEPENDENT AUDITOR’S REPORT	-	1-2
GENERAL PURPOSE FINANCIAL STATEMENTS:		
Combined Statements - Overview:		
Combined Balance Sheet - All Fund Types and Account Groups	A	4-5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	B	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP BASIS) and Actual - General and Special Revenue Funds - Governmental Fund Types	C	7
Statement of Revenues, Expenses, and Changes in Retained Earnings Proprietary Fund Type	D	8
Statement of Cash Flows - Proprietary Fund Type	E	9-10
Notes to Financial Statements	-	11-21
	Schedule	Page(s)
SUPPLEMENTAL INFORMATION SCHEDULES:		
General Fund:		23
Balance Sheet	1	24
Schedule of Revenues, Expenditures, and Changes in Fund Balances	2	25
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP BASIS) and Actual	3	26
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP BASIS) and Actual	4	27-29
Special Revenue Funds:		30
Balance Sheet	5	31
Schedule of Revenues, Expenditures, and Changes in Fund Balances	6	32
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP BASIS) and Actual	7	33

TABLE OF CONTENTS (CONTINUED)

Enterprise Fund		34
Balance Sheet	8	35-36
Schedule of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type	9	37
Schedule of Cash Flows - Proprietary Fund Type	10	38-39
Schedule of General Fixed Assets	11	40
Schedule of Changes in General Fixed Assets	12	41
Schedule of Per Diem Paid to Board Members	13	42
Schedule of Prior Year Audit Findings	14	43
 Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	 -	 44-45

John A. Windham, CPA

A Professional Corporation

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Foy W. Rhodes, Mayor
and Members of the Board of Aldermen
Town of Merryville, Louisiana

I have audited the accompanying general purpose financial statements of the Town of Merryville, Louisiana, as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Merryville, Louisiana's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Merryville, Louisiana, as of June 30, 2003, and the results of its operations and cash flows of its proprietary fund type for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 8, 2003 on my consideration of the Town of Merryville, Louisiana's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Honorable Foy W. Rhodes, Mayor
and Members of the Board of Aldermen
Town of Merryville, Louisiana
Page 2

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

A handwritten signature in black ink that reads "Jermu. Windham, CPA". The signature is written in a cursive, slightly slanted style.

DeRidder, Louisiana
September 8, 2003

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

TOWN OF MERRYVILLE

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2003

<u>ASSETS</u>	Governmental Fund Types	
	General	Special Revenue
Cash	\$ 20,036	\$ 21,621
Receivables:		
Accounts	-	-
Taxes	5,821	19,711
Intergovernmental:		
Alcohol taxes	886	-
State mowing contract	2,920	-
Due from other funds	3,010	-
Restricted assets:		
Cash	-	-
Land	-	-
Buildings and improvements	-	-
Equipment	-	-
Utility plant and equipment	-	-
Accumulated depreciation	-	-
Total assets	<u>\$ 32,673</u>	<u>\$ 41,332</u>
 <u>LIABILITIES</u>		
Accounts payable	\$ 8,570	\$ 765
Due to other funds	-	-
Payroll taxes payable	2,660	-
Payable from restricted assets:		
Customer deposits	-	-
Current portion of revenue bonds	-	-
Accrued interest on revenue bonds	-	-
Revenue bonds payable	-	-
Total liabilities	<u>\$ 11,230</u>	<u>\$ 765</u>

<u>Type</u>	<u>Account Group</u> <u>General Fixed</u> <u>Assets</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
<u>Enterprise</u>		
\$ 48,396	\$ -	\$ 90,053
16,560	-	16,560
-	-	25,532
-	-	886
-	-	2,920
-	-	3,010
96,173	-	96,173
-	2,600	2,600
-	351,942	351,942
-	166,493	166,493
3,889,451	-	3,889,451
(2,067,559)	-	(2,067,559)
<u>\$ 1,983,021</u>	<u>\$ 521,035</u>	<u>\$ 2,578,061</u>
\$ 3,343	\$ -	\$ 12,678
3,010	-	3,010
2,538	-	5,198
13,067	-	13,067
15,000	-	15,000
16,083	-	16,083
347,375	-	347,375
<u>\$ 400,416</u>	<u>\$ -</u>	<u>\$ 412,411</u>

(Continued)

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2003

<u>FUND EQUITY</u>	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Contributed capital	\$ -	\$ -
Investments in general fixed assets	-	-
Retained earnings:		
Reserved	-	-
Unreserved	-	-
Fund balances:		
Undesignated	21,443	40,567
Total fund equity	<u>\$ 21,443</u>	<u>\$ 40,567</u>
Total liabilities and fund equity	<u>\$ 32,673</u>	<u>\$ 41,332</u>

<u>Type</u>	<u>Account Groups</u> <u>General Fixed</u> <u>Assets</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
<u>Enterprise</u>		
\$ 3,052,198	\$ -	\$ 3,052,198
-	521,035	521,035
52,023	-	52,023
(1,521,616)	-	(1,521,616)
-	-	62,010
<u>\$ 1,582,605</u>	<u>\$ 521,035</u>	<u>\$ 2,165,650</u>
<u>\$ 1,983,021</u>	<u>\$ 521,035</u>	<u>\$ 2,578,061</u> (Concluded)

The accompanying notes are an integral part of this statement.

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

For the Fiscal Year Ended June 30, 2003

	Governmental		Totals (Memorandum Only)
	General	Special Revenue	
Revenues:			
Taxes	\$ 48,630	\$ 197,831	\$ 246,461
Licenses and permits	516	33,419	33,935
Intergovernmental	19,306	-	19,306
Fees, charges, and commissions for services	12,532	-	12,532
Fines	75,313	-	75,313
Use of money and property	3,964	-	3,964
Miscellaneous	1,540	-	1,540
Total revenues	<u>\$ 161,801</u>	<u>\$ 231,250</u>	<u>\$ 393,051</u>
Expenditures:			
General government	\$ 147,883	\$ 4,299	\$ 152,182
Public safety	132,459	-	132,459
Public works	85,469	-	85,469
Total expenditures	<u>\$ 365,811</u>	<u>\$ 4,299</u>	<u>\$ 370,110</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (204,010)</u>	<u>\$ 226,951</u>	<u>\$ 22,941</u>
Other financing sources (uses):			
Transfers in	\$ 163,025	\$ -	\$ 163,025
Transfers out	-	(225,400)	(225,400)
Total other financing sources (uses)	<u>\$ 163,025</u>	<u>\$ (225,400)</u>	<u>\$ (62,375)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (40,985)	\$ 1,551	\$ (39,434)
Fund balances at beginning of year	<u>62,428</u>	<u>39,016</u>	<u>101,444</u>
Fund balances at end of year	<u>\$ 21,443</u>	<u>\$ 40,567</u>	<u>\$ 62,010</u>

The accompanying notes are an integral part of this statement.

TOWN OF MERRYVILLE

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS - GOVERNMENTAL FUND TYPES

For the Fiscal Year Ended June 30, 2003

	General Fund		Variance - Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$ 51,000	\$ 48,630	\$ (2,370)
Licenses and permits	250	516	266
Intergovernmental	26,540	19,306	(7,234)
Fees, charges, and commissions for services	12,600	12,532	(68)
Fines	75,000	75,313	313
Use of money and property	4,100	3,964	(136)
Miscellaneous	586	1,540	954
Total revenues	<u>\$ 170,076</u>	<u>\$ 161,801</u>	<u>\$ (8,275)</u>
Expenditures:			
General government	\$ 164,515	\$ 147,883	\$ 16,632
Public safety	123,896	132,459	(8,563)
Public works	85,150	85,469	(319)
Total expenditures	<u>\$ 373,561</u>	<u>\$ 365,811</u>	<u>\$ 7,750</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (203,485)</u>	<u>\$ (204,010)</u>	<u>\$ (525)</u>
Other financing sources (uses):			
Transfers in	\$ 160,000	\$ 163,025	\$ 3,025
Transfers out	-	-	-
Total other financing sources (uses)	<u>\$ 160,000</u>	<u>\$ 163,025</u>	<u>\$ 3,025</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (43,485)	\$ (40,985)	\$ 2,500
Fund balances at beginning of year	<u>62,428</u>	<u>62,428</u>	<u>-</u>
Fund balances at end of year	<u>\$ 18,943</u>	<u>\$ 21,443</u>	<u>\$ 2,500</u>

Special Revenue Funds		
Budget	Actual	Variance - Favorable (Unfavorable)
\$ 196,500	\$ 197,831	\$ 1,331
34,586	33,419	(1,167)
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ 231,086</u>	<u>\$ 231,250</u>	<u>\$ 164</u>
\$ 4,305	\$ 4,299	\$ 6
-	-	-
-	-	-
<u>\$ 4,305</u>	<u>\$ 4,299</u>	<u>\$ 6</u>
<u>\$ 226,781</u>	<u>\$ 226,951</u>	<u>\$ 170</u>
\$ -	\$ -	\$ -
(225,800)	(225,400)	400
<u>\$ (225,800)</u>	<u>\$ (225,400)</u>	<u>\$ 400</u>
\$ 981	\$ 1,551	\$ 570
39,016	39,016	-
<u>\$ 39,997</u>	<u>\$ 40,567</u>	<u>\$ 570</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 RETAINED EARNINGS - PROPRIETARY FUND TYPE
 For the Fiscal Year Ended June 30, 2003

	<u>Proprietary Fund Type</u>
Operating revenues:	
Charges for services	<u>\$ 184,143</u>
Operating expenses:	
Personal services	\$ 91,529
Supplies	25,346
Other services and charges	36,905
Heat, light, and power	21,861
Depreciation	101,124
Total operating expenses	<u>\$ 276,765</u>
Operating loss	\$ (92,622)
Nonoperating revenues (expenses):	
Interest income	\$ 692
Transfers in	62,375
Interest expense	(18,197)
Total nonoperating revenues (expenses)	<u>\$ 44,870</u>
Net income (loss)	\$ (47,752)
Retained earnings (deficit), beginning of year	<u>(1,421,841)</u>
Retained earnings (deficit), end of year	<u>\$ (1,469,593)</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND TYPE
 For the Fiscal Year Ended June 30, 2003

	<u>Proprietary Fund Type</u>
Cash flows from operating activities:	
Cash received from customers	\$ 184,749
Cash payments to suppliers for goods and services	(85,702)
Cash payments for employee services and employee related fringe benefits	(89,513)
Net cash provided by operating activities	<u>\$ 9,534</u>
 Cash flows from noncapital financing activities:	
Transfers from other funds	\$ 62,375
Amounts due to other funds	3,010
Net cash provided for noncapital financing activities	<u>\$ 65,385</u>
 Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (3,937)
Principal paid on bond maturities	(14,000)
Interest paid on bond maturities	(18,819)
Net cash used for capital and related financing activities	<u>\$ (36,756)</u>
 Cash flows from investing activities:	
Interest on cash management activities	<u>\$ 692</u>
 Net increase in cash and cash equivalents	\$ 38,855
 Cash and cash equivalents, beginning of year	<u>105,714</u>
 Cash and cash equivalents, end of year	<u>\$ 144,569</u>

(Continued)

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND TYPE
 For the Fiscal Year Ended June 30, 2003

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED
 BY OPERATING ACTIVITIES

Operating Loss	\$ (92,622)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	\$ 101,124
Increase in accounts receivable	(178)
Decrease in accounts payable	(1,590)
Increase in payroll taxes payable	2,016
Increase in customer deposits	784
	<hr/>
Total adjustments	\$ 102,156
	<hr/>
Net cash provided by operating activities	\$ 9,534
	<hr/>
	(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ending June 30, 2003

INTRODUCTION

The Town of Merryville was incorporated 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 Merryville conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The Town maintains various funds that provide services and benefits to its citizens including repairs and maintenance of approximately 15 miles of roads and streets, and water, sewer, and garbage collection services to approximately 600 residents.

The Town is located within Beauregard Parish in the southwestern part of the State of Louisiana and is comprised of approximately 1,200 residents. The governing board is composed of five elected aldermen that are compensated for regular and special board meetings. There are approximately six employees who maintain the water and sewer systems and handle the clerical work for the Town. The police department consists of an elected chief of police and approximately four full time patrolman.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Town of Merryville 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.

B. REPORTING ENTITY

As the municipal governing authority for reporting purposes, the Town of Merryville is considered a separate financial reporting entity and is also the primary government. The Town of Merryville does not have (a) organizations for which the primary government is financially accountable, and (b) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete; therefore, the Town is also the financial reporting entity.

C. FUND ACCOUNTING

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Governmental Funds

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

1. General fund - the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
2. Special revenue funds - accounts for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Fund

The proprietary fund is 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. The proprietary fund differs from the governmental funds in that its focus is on income measurement, which together with the maintenance of equity is an important financial indicator. The proprietary fund includes:

1. Enterprise fund - accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. BASIS OF ACCOUNTING

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

Revenues

Revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income and gross receipts are considered "measurable and available" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

Other Financing Sources (Uses)

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

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

E. BUDGET

The municipality uses the following budget practices:

1. The Town Clerk and Mayor prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
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, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after the 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. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen. These amended amounts are shown in the financial statements.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. ENCUMBRANCES

The Town of Merryville does not use encumbrance accounting.

G. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and or any other state of the United States, or under the laws of the United States.

H. INVESTMENTS

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the municipality's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The Town of Merryville, Louisiana had no investments as of June 30, 2003.

I. SHORT-TERM INTERFUND RECEIVABLE/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. Short-term interfund loans are classified as interfund receivables/payables.

J. INVENTORIES

The Town of Merryville does not maintain an inventory. Purchases are made as needed for repair and maintenance and replacement of existing equipment.

K. PREPAID ITEMS

Prepaid amounts consist of insurance policy premiums paid in advance. As of June 30, 2003 prepaid insurance was an immaterial amount and therefore not shown in the financial statements.

L. RESTRICTED ASSETS

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Bond reserve fund - The Utility Revenue Bonds dated August 10, 1978 require that a reserve fund be established. Money in these accounts is used to pay the maturing principal and interest on the bonds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Depreciation and contingency fund - The Utility Revenue Bonds dated August 10, 1978 require that a depreciation and contingency fund be established. Money in this account is used for extensions, additions, improvements and replacements necessary to properly operate the system.

Cash collected from utility fund customers as deposits against future utility bills are classified as restricted assets and are held by the town in a custodial cash account entitled "Customer Deposits".

M. FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are reported in the general fixed assets account group. Public domain or infrastructures are capitalized. Interest costs incurred during construction are not capitalized.

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

Utility Fund -	
Water system	40 years
Wells	15-40 years
Storage tanks	35 years
Purification plant	10-35 years
Lines and meters	10-35 years
Autos and trucks	10 years
Other equipment	3-15 years
Sewer plant	40 years
Pump stations	40 years
Lines	40 years
Buildings	40 years
Intangibles	40 years

N. COMPENSATED ABSENCES

The Town of Merryville provides for the accumulation and vesting of vacation leave up to a maximum of twelve days. As of June 30, 2003 the liability for this leave was immaterial and is not shown in the financial statements.

O. LONG-TERM OBLIGATIONS

For the primary government, long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

P. FUND EQUITYContributed Capital

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

Reserves

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

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

Q. INTERFUND TRANSACTIONS

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

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

R. SALES TAX

The Town of Merryville receives a three-percent sales tax, which is dedicated to the maintenance of the sewer system (1%), repair and maintenance of streets and roadways (1%), and the collection and disposal of solid waste (1%).

S. TOTAL COLUMNS ON COMBINED STATEMENTS

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

T. FASB PRONOUNCEMENTS

The Town of Merryville has applied all applicable GASB (Government Accounting Standards Board) pronouncements as well as FASB (Financial Accounting Standards Board) statements and

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

interpretations, APB (Accounting Principles Board) opinions and (ARB's) Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Also, applied are all FASB Statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

2. FUND DEFICITS

The following individual fund had a deficit in its unreserved retained earnings at June 30, 2003:

<u>Fund</u>	<u>Deficit Amount</u>
Enterprise Fund	\$ 1,521,616

The retained earnings deficit of the enterprise fund arises because of the application of generally accepted accounting principles of financial reporting for such funds. Depreciation and amortization, non-cash expenses, contribute to the deficit. Even though the retained earnings deficit exists, the enterprise fund had an overall fund equity of \$1,582,605 at June 30, 2003. The Board of Aldermen will raise user fees to reduce the retained earnings deficit, when needed.

3. LEVIED TAXES

Taxes are levied on January 1, billed between November 1 and November 15, and payable by December 31. The lien date for unpaid taxes is August 15 of the following year. The tax collector bills and collects the Town's taxes. Town property tax revenues are recognized when billed to the extent that they result in current receivables.

The following is a summary of authorized and levied ad valorem taxes for the year:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Townwide taxes:			
General corporate tax	7.58	7.58	Renewed annually

4. CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2003:

Demand deposits	\$ 89,853
Money market accounts	96,173
Petty cash	<u>200</u>
Total	<u>\$ 186,226</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 fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2003, the primary government has \$ 189,268 in deposits (collected bank balances). These deposits are secured from risk by \$ 189,268 of federal deposit insurance.

State statutes relating to cash and cash equivalents are located at note 1G. "Cash and Cash Equivalents."

5. RECEIVABLES

The following is a summary of receivables for June 30, 2003:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Proprietary Fund</u>
Taxes:			
Franchise taxes	\$ 5,821	\$ -	\$ -
Sales & use taxes	-	19,711	-
Intergovernmental:			
Alcohol taxes	886	-	-
State mowing contract	2,920	-	-
Utility building:			
Accounts	-	-	16,560
Total	<u>\$ 9,627</u>	<u>\$ 19,711</u>	<u>\$ 16,560</u>

As of June 30, 2003 the Town of Merryville's Utility Fund had accounts receivable of \$ 16,560. The Town has elected to write off bad debts as they are deemed to be uncollectible as determined by management. Bad debts are shown as an adjustment to charges for services in the enterprise fund. Due to the immaterial amount of uncollectible accounts, an allowance for doubtful accounts has not been established.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. FIXED ASSETS

The changes in general fixed assets follows:

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>
Land	\$ 2,600	\$ -	\$ -	\$ 2,600
Buildings	141,626	-	-	141,626
Improvements	210,316	-	-	210,316
Equipment	<u>164,572</u>	<u>3,221</u>	<u>(1,300)</u>	<u>166,493</u>
Total	<u>\$ 519,114</u>	<u>\$ 3,221</u>	<u>\$ (1,300)</u>	<u>\$ 521,035</u>

The changes in proprietary fund fixed assets follows:

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Balance</u> <u>June 30, 2003</u>
Water and sewer utility plant	\$ 3,878,195	\$ -	\$ -	\$ (2,067,559)	\$ 1,810,636
Construction in progress	<u>7,319</u>	<u>3,937</u>	<u>-</u>	<u>-</u>	<u>11,256</u>
Total	<u>\$ 3,885,514</u>	<u>\$ 3,937</u>	<u>\$ -</u>	<u>\$ (2,067,559)</u>	<u>\$ 1,821,892</u>

7. ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at June 30, 2003:

<u>Class of Payable</u>	<u>General</u> <u>Fund</u>	<u>Special Revenue</u> <u>Funds</u>	<u>Proprietary</u> <u>Fund</u>
Accounts	\$ 8,570	\$ 765	\$ 3,343
Payroll taxes payable	<u>2,660</u>	<u>-</u>	<u>2,538</u>
Total	<u>\$ 11,230</u>	<u>\$ 765</u>	<u>\$ 5,881</u>

8. LEASES

The Town of Merryville had no leases as of June 30, 2003.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2003:

	<u>Proprietary Fund</u> Bonded <u>Debt</u>
Long-term obligations payable at June 30, 2002	\$ 376,375
Additions	-
Principal payments	<u>14,000</u>
Long-term obligations payable at June 30, 2003	<u>\$ 362,375</u>

Revenue bonds are comprised of the following individual issue:

Utilities Revenue Refunding Bonds, Series 1978 \$550,000 Utilities Revenue Refunding Bonds dated 8-10-78, due in average annual installments of \$31,000 through 8-10-18, interest at 5.00%. Proceeds to be used for constructing and acquiring extensions and improvements to the sewerage systems	\$ 362,375
--	------------

The annual cash flows required to service the debt as of June 30, 2003, including interest payments of \$171,854, are as follows:

<u>June 30, 2003</u>	<u>Proprietary Fund</u> <u>Utilities Revenue</u> <u>Bonds</u>
2004	\$ 33,119
2005	33,368
2006	33,569
2007	33,719
2008	33,819
Thereafter	<u>366,635</u>
Total	<u>\$ 534,229</u>

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

10. CHANGES IN CONTRIBUTED CAPITAL

The following is a summary of changes in contributed capital:

	<u>Enterprise Fund</u>
Balance at June 30, 2002	\$ 3,052,198
Additions	-
Deductions	<u>-</u>
Balance at June 30, 2003	<u>\$ 3,052,198</u>

11. RESERVED RETAINED EARNINGS

The Propriety Fund - The Utility Fund had reserved retained earnings available as follows:

	<u>Utility Fund</u>
Restricted assets:	
Reserve and contingency accounts	\$ 82,567
Customers' deposits	<u>13,606</u>
Total	<u>\$ 96,173</u>
Less:	
Liabilities payable from restricted assets:	
Customers deposits	\$ (13,067)
Current portion of bond	(15,000)
Accrued interest on bond	<u>(16,083)</u>
Total	<u>\$ (44,150)</u>
Reserved retained earnings	<u>\$ 52,023</u>

SUPPLEMENTAL INFORMATION SCHEDULES

GENERAL FUND

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

TOWN OF MERRYVILLE
GENERAL FUND

Schedule 1

BALANCE SHEET
June 30, 2003

<u>ASSETS</u>	<u>2003</u>
Cash	\$ 20,036
Receivables:	
Taxes:	
Franchise taxes	5,821
Intergovernmental:	
Alcohol taxes	886
State mowing contract	2,920
Due from utility fund	3,010
Total assets	<u>\$ 32,673</u>
 <u>LIABILITIES AND FUND BALANCE</u> 	
Liabilities:	
Accounts payable	\$ 8,570
Payroll taxes payable	2,660
Total liabilities	<u>\$ 11,230</u>
Fund balance:	
Unreserved - undesignated	\$ 21,443
Total liabilities and fund balance	<u>\$ 32,673</u>

TOWN OF MERRYVILLE
GENERAL FUND

Schedule 2

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2003

Revenues:

Taxes	\$	48,630
Licenses and permits		516
Intergovernmental		19,306
Fees, charges, and commissions for services		12,532
Fines and forfeits		75,313
Use of money and property		3,964
Other revenues		1,540
Total revenues	\$	<u>161,801</u>

Expenditures:

General government	\$	147,883
Public safety		132,459
Public works		85,469
Total expenditures	\$	<u>365,811</u>

Excess (deficiency) of revenues over expenditures \$ (204,010)

Other financing sources:

Transfers in \$ 163,025

Excess of revenues and other sources over expenditures \$ (40,985)

Fund balance, beginning 62,428

Fund balance, ending \$ 21,443

TOWN OF MERRYVILLE
GENERAL FUND

Schedule 3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2003

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	\$ 51,000	\$ 48,630	\$ (2,370)
Licenses and permits	250	516	266
Intergovernmental	26,540	19,306	(7,234)
Fees, charges, and commissions for services	12,600	12,532	(68)
Fines and forfeits	75,000	75,313	313
Use of money and property	4,100	3,964	(136)
Other revenues	586	1,540	954
Total revenues	<u>\$ 170,076</u>	<u>\$ 161,801</u>	<u>\$ (8,275)</u>
Expenditures:			
General government	\$ 164,515	\$ 147,883	\$ 16,632
Public safety	123,896	132,459	(8,563)
Public works	85,150	85,469	(319)
Total expenditures	<u>\$ 373,561</u>	<u>\$ 365,811</u>	<u>\$ 7,750</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (203,485)</u>	<u>\$ (204,010)</u>	<u>\$ (525)</u>
Other financing sources:			
Transfers in	<u>\$ 160,000</u>	<u>\$ 163,025</u>	<u>\$ 3,025</u>
Excess of revenues and other sources over expenditures	<u>\$ (43,485)</u>	<u>\$ (40,985)</u>	<u>\$ 2,500</u>
Fund balance, beginning	<u>62,428</u>	<u>62,428</u>	<u>-</u>
Fund balance, ending	<u>\$ 18,943</u>	<u>\$ 21,443</u>	<u>\$ 2,500</u>

TOWN OF MERRYVILLE
GENERAL FUND

Schedule 4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2003

	Budget	Actual	Variance - Favorable (Unfavorable)
Taxes:			
Ad valorem taxes	\$ 17,000	\$ 18,362	\$ (1,362)
Franchise taxes	34,000	30,268	(3,732)
Total taxes	<u>\$ 51,000</u>	<u>\$ 48,630</u>	<u>\$ (2,370)</u>
Licenses and permits:			
Occupational licenses	\$ -	\$ 300	\$ 300
Building permits	250	216	(34)
Total licenses and permits	<u>\$ 250</u>	<u>\$ 516</u>	<u>\$ 266</u>
Intergovernmental:			
Alcohol taxes	\$ 6,000	\$ 5,542	\$ (458)
State mowing contract	5,840	5,840	-
Federal grants	3,100	3,105	5
State grants	11,600	4,819	(6,781)
Local grants	-	-	-
Total intergovernmental	<u>\$ 26,540</u>	<u>\$ 19,306</u>	<u>\$ (7,234)</u>
Fees, charges, and commissions for services:			
Garbage collection fees	\$ 12,000	\$ 11,977	\$ (23)
Lot clearing fees	600	555	(45)
Total fees, charges, and commissions for services	<u>\$ 12,600</u>	<u>\$ 12,532</u>	<u>\$ (68)</u>
Fines and forfeits:			
Traffic fines	<u>\$ 75,000</u>	<u>\$ 75,313</u>	<u>\$ 313</u>
Use of money and property:			
Rentals	<u>\$ 4,100</u>	<u>\$ 3,964</u>	<u>\$ 136</u>
Miscellaneous:			
Miscellaneous	\$ 186	\$ 998	\$ 812
Vending machine revenue	400	542	142
Total other revenue	<u>\$ 586</u>	<u>\$ 1,540</u>	<u>\$ 954</u>
Total revenues	<u>\$ 170,076</u>	<u>\$ 161,801</u>	<u>\$ (8,275)</u>

(Continued)

TOWN OF MERRYVILLE
GENERAL FUND

Schedule 4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2003

	Budget	Actual	Variance - Favorable (Unfavorable)
General government:			
Salaries and related benefits	\$ 70,000	\$ 63,809	\$ 6,191
Supplies	2,750	2,886	(136)
Other services and charges	87,765	77,457	10,308
Heat, light and power	4,000	3,731	269
Total general government	\$ 164,515	\$ 147,883	\$ 16,632
Public safety:			
Police - Personal services	\$ 91,065	\$ 98,030	\$ (6,965)
Supplies	3,615	3,289	326
Other services and charges	23,616	25,338	(1,722)
Heat, light, and power	2,400	2,581	(181)
Capital outlay	3,200	3,221	(21)
Total public safety	\$ 123,896	\$ 132,459	\$ (8,563)
Public works:			
Highways and streets:			
Supplies	\$ 4,100	\$ 5,727	\$ (1,627)
Other services and charges	12,300	13,007	(707)
Heat, light, and power	16,200	16,326	(126)
Street maintenance	6,800	4,138	2,662
Total highways and streets	\$ 39,400	\$ 39,198	\$ 202
Waste disposal:			
Garbage collection fees	\$ 45,750	\$ 46,271	\$ (521)
Total public works	\$ 85,150	\$ 85,469	\$ (319)
Total expenditures	\$ 373,561	\$ 365,811	\$ 7,750
Excess (deficiency) of revenues over expenditures	\$ (203,485)	\$ (204,010)	\$ (525)

(Continued)

TOWN OF MERRYVILLE
GENERAL FUND

Schedule 4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Other financing sources:			
Transfer in from sales tax fund	\$ 160,000	\$ 163,025	\$ 3,025
Excess (deficiency) of revenues and other sources over expenditures	\$ (43,485)	\$ (40,985)	\$ 2,500
Fund balances, beginning of year	<u>62,428</u>	<u>62,428</u>	<u>-</u>
Fund balances, end of year	<u>\$ 18,943</u>	<u>\$ 21,443</u>	<u>\$ 2,500</u> (Concluded)

SPECIAL REVENUE FUNDS

Sales Tax Fund - To account for the collection and distribution of the 3% sales and use tax which is to be used for repairs and maintenance of streets and roadways, collection and disposal of solid waste, and maintenance of the sewer system.

TOWN OF MERRYVILLE
SPECIAL REVENUE FUND

BALANCE SHEET
June 30, 2003

<u>ASSETS</u>	<u>Sales Tax Fund</u>
Cash	\$ 21,621
Sales tax receivable	<u>19,711</u>
Total assets	<u>\$ 41,332</u>
 <u>LIABILITIES AND FUND BALANCE</u> 	
Liabilities:	
Accounts payable	<u>\$ 765</u>
Fund balance:	
Unreserved - undesignated	<u>\$ 40,567</u>
Total liabilities and fund balance	<u>\$ 41,332</u>

TOWN OF MERRYVILLE
SPECIAL REVENUE FUND

Schedule 6

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

June 30, 2003

	<u>Sales Tax Fund</u>
Revenues:	
Sales taxes	\$ 197,831
Occupational licenses	33,419
Total revenues	<u>\$ 231,250</u>
Expenditures:	
General government	<u>\$ 4,299</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 226,951</u>
Other financing (uses):	
Transfers out	<u>\$ 225,400</u>
Excess deficiency of revenues over expenditures and other uses	\$ 1,551
Fund balances, beginning of year	<u>39,016</u>
Fund balances, end of year	<u>\$ 40,567</u>

TOWN OF MERRYVILLE
SPECIAL REVENUE FUND

Schedule 7

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2003

	Sales Tax Fund		
	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Taxes:			
Sales	\$ 196,500	\$ 197,831	\$ 1,331
Occupational licenses	34,586	33,419	(1,167)
Total revenues	\$ 231,086	\$ 231,250	\$ 164
Expenditures:			
General government:			
Other services and charges	\$ 4,305	\$ 4,299	\$ 6
Excess (deficiency) of revenues over expenditures	\$ 226,781	\$ 226,951	\$ 170
Other financing (uses):			
Transfers out:			
General fund	\$ 162,500	\$ 163,025	\$ (525)
Utility fund	63,300	62,375	925
Total other financing (uses)	\$ 225,800	\$ 225,400	\$ 400
Excess (deficiency) of revenues over expenditures and other uses	\$ 981	\$ 1,551	\$ 570
Fund balance, beginning of year	39,016	39,016	-
Fund balance, end of year	\$ 39,997	\$ 40,567	\$ 570

ENTERPRISE FUND

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

TOWN OF MERRYVILLE
ENTERPRISE FUND

Schedule 8

BALANCE SHEET
June 30, 2003

ASSETS

Current assets:	
Cash	\$ 48,396
Accounts receivable:	
Accounts	16,560
Total current assets	<u>\$ 64,956</u>
Restricted assets:	
Bond reserve, and contingency account	\$ 82,567
Customers' deposits	13,606
Total restricted assets	<u>\$ 96,173</u>
Plant in service:	
Property, plant, and equipment at cost, net of accumulated depreciation	<u>\$ 1,821,892</u>
Total assets	<u>\$ 1,983,021</u>

(Continued)

TOWN OF MERRYVILLE
ENTERPRISE FUND

Schedule 8

BALANCE SHEET
June 30, 2003

LIABILITIES AND FUND EQUITY

Liabilities:

Current liabilities (payable from current assets):

Accounts payable	\$ 3,343
Payroll taxes payable	2,538
Due to general fund	3,010
Total current liabilities (payable from current assets)	\$ 8,891

Current liabilities (payable from restricted assets):

Current portion of bonds	\$ 15,000
Accrued bond interest	16,083
Customers' deposits	13,067
Total current liabilities (payable from restricted assets)	\$ 44,150

Long-term liabilities:

Bonds payable	\$ 347,375
Total liabilities	\$ 400,416

Fund Equity:

Contributed capital - Federal and state grants	\$ 3,052,198
--	--------------

Retained Earnings:

Reserved	\$ 52,023
Unreserved	(1,521,616)
	\$ 1,582,605

Total fund equity	\$ 1,582,605
-------------------	--------------

Total liabilities and fund equity	\$ 1,983,021 (Concluded)
-----------------------------------	-----------------------------

TOWN OF MERRYVILLE
ENTERPRISE FUND

Schedule 9

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE

Year Ended June 30, 2003

Operating revenues:	
Charges for services	<u>\$ 184,143</u>
Operating expenses:	
Personal services	\$ 91,529
Supplies	25,346
Other services and charges	36,905
Heat, light and power	21,861
Depreciation	<u>101,124</u>
Total operating expenses	<u>\$ 276,765</u>
Operating loss	<u>\$ (92,622)</u>
Non-operating revenues (expenses):	
Interest income	\$ 692
Transfer from sales tax fund	62,375
Interest expense	<u>(18,197)</u>
Total non-operating revenues (expenses)	<u>\$ 44,870</u>
Net income	\$ (47,752)
Retained earnings, (deficit) beginning of year	<u>(1,421,841)</u>
Retained earnings, (deficit) end of year	<u>\$ (1,469,593)</u>

TOWN OF MERRYVILLE
ENTERPRISE FUND

Schedule 10

SCHEDULE OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Fiscal Year Ended June 30, 2003

Cash flows from operating activities:	
Cash received from customers	\$ 184,749
Cash payments to suppliers for goods and services	(85,702)
Cash payments for employee services and employee related fringe benefits	(89,513)
Net cash provided by operating activities	<u>\$ 9,534</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	\$ 62,375
Amounts due to other funds	3,010
Net cash provided for noncapital financing activities	<u>\$ 65,385</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (3,937)
Principal paid on bond maturities	(14,000)
Interest paid on bond maturities	(18,819)
Net cash used for capital and related financing activities	<u>\$ (36,756)</u>
Cash flows from investing activities:	
Interest on cash management activities	<u>\$ 692</u>
Net increase in cash and cash equivalents	\$ 38,855
Cash and cash equivalents, beginning of year	<u>105,714</u>
Cash and cash equivalents, end of year	<u>\$ 144,569</u>
	(Continued)

TOWN OF MERRYVILLE
ENTERPRISE FUND

Schedule 10

SCHEDULE OF CASH FLOWS - PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2003

RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

Operating loss	<u>\$ (92,622)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	\$ 101,124
Increase in accounts receivable	(178)
Decrease in accounts payable	(1,590)
Increase in payroll taxes payable	2,016
Increase in customer deposits	784
Total adjustments	<u>\$ 102,156</u>
Net cash provided by operating activities	<u>\$ 9,534</u> (Concluded)

SCHEDULE OF GENERAL FIXED ASSETS
June 30, 2003

General fixed assets, at cost:	
Land	\$ 2,600
Buildings	141,626
Improvements	210,316
Equipment	<u>166,493</u>
Total general fixed assets	<u>\$ 521,035</u>

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
June 30, 2003

	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
General fixed assets, beginning of year	\$ 2,600	\$ 141,626	\$ 210,316	\$ 164,572	\$ 519,114
Additions:					
Assets added	-	-	-	3,221	3,221
Deletions:					
Assets removed	-	-	-	(1,300)	(1,300)
General fixed assets, end of year	<u>\$ 2,600</u>	<u>\$ 141,626</u>	<u>\$ 210,316</u>	<u>\$ 166,493</u>	<u>\$ 521,035</u>

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
Year Ended June 30, 2003

<u>Board Members</u>	<u>Total Paid</u>
Beaver Knighton	\$ 1,300
Ronald Perkins	1,300
Walter Bruns	1,275
David Eaves	1,300
Webb Stark	1,300
	<u>\$ 6,475</u>

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2003

Findings - Financial Statement Audit

There were no prior year audit findings reported as of June 30, 2002.

John A. Windham, CPA

A Professional Corporation

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA

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 Foy W. Rhodes, Mayor
and the Members of the Board of Aldermen
Town of Merryville, Louisiana

I have audited the general purpose financial statements of the Town of Merryville, Louisiana, as of and for the year ended June 30, 2003, and have issued my report thereon dated September 8, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 Merryville, Louisiana's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Town of Merryville, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My 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 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.

The Honorable Foy W. Rhodes, Mayor
and the Members of the Board of Aldermen
Town of Merryville, Louisiana
Page 2

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Board of Aldermen, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

John A. Windham, CPA

DeRidder, Louisiana
September 8, 2003