

2284

RECEIVED
LEGISLATIVE AUDITOR
2002 DEC 30 AM 11:39

TOWN OF MADISONVILLE, LOUISIANA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
WITH SUPPLEMENTAL INFORMATION

June 30, 2002 and 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 1/22/03

CONTENTS

| | PAGE |
|--|------|
| INDEPENDENT AUDITORS' REPORT | 3 |
| GENERAL PURPOSE FINANCIAL STATEMENTS | |
| COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS | 5 |
| COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES FOR THE YEAR ENDED JUNE 30, 2002 | 6 |
| FOR THE YEAR ENDED JUNE 30, 2001 | 7 |
| COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE | 8 |
| STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE | 9 |
| NOTES TO FINANCIAL STATEMENTS | 10 |
| SUPPLEMENTAL INFORMATION | |
| ENTERPRISE FUNDS - UTILITY SYSTEMS: | |
| COMBINING BALANCE SHEET | 23 |
| COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 2002 | 24 |
| FOR THE YEAR ENDED JUNE 30, 2001 | 25 |
| COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2002 | 26 |
| FOR THE YEAR ENDED JUNE 30, 2001 | 27 |
| SCHEDULE OF COMPENSATION PAID TO MAYOR AND MEMBERS OF THE BOARD OF ALDERMEN | 28 |
| 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> | 29 |

Smith, Huval & Associates, L.L.C.

(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

P.O. Box 3790

Covington, Louisiana 70434-3790

Samuel K. Smith, CPA
Patrick "Bryan" Huval, CPA

(985) 892-6633 - Covington
(985) 892-4666 - FAX

INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor Peter L. Gitz and
The Board of Aldermen
Town of Madisonville, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Madisonville, Louisiana, as of June 30, 2002 and for the two years then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion the general purpose financial statements referred above present fairly, in all material respects, the financial position of the Town of Madisonville, Louisiana, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Madisonville, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

To the Mayor and Board of Aldermen
Town of Madisonville, Louisiana

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2002, on our consideration of the Town of Madisonville, Louisiana's internal control over financial reporting and our tests 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 our audit.

July 30, 2002

Smith, Hural & Associates, L.L.C.

TOWN OF MADISONVILLE, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2002

| | Governmental Fund Types | | Proprietary Fund Type | Account Group | Totals (Memorandum Only) |
|--|-------------------------|-------------------|-----------------------|----------------------|--------------------------|
| | General | Special Revenue | Enterprise | General Fixed Assets | |
| ASSETS | | | | | |
| Cash | \$ 430,471 | \$ 91,975 | \$ 100 | \$ | \$ 522,546 |
| Investments | 131,041 | 516,057 | 162,114 | | 809,212 |
| Accounts receivable, net of allowance for doubtful accounts of \$5,000 | | | 66,168 | | 66,168 |
| Taxes receivable | 33,491 | 19,616 | | | 53,107 |
| Pooled cash in other funds | 146,449 | 27,199 | 69,089 | | 242,737 |
| Due from other funds | | 70,836 | | | 70,836 |
| Utility property, plant and equipment, net of accumulated depreciation | | | 1,216,477 | | 1,216,477 |
| General fixed assets | | | | 1,330,993 | 1,330,993 |
| Total assets | \$ 741,452 | \$ 725,683 | \$ 1,513,948 | \$ 1,330,993 | \$ 4,312,076 |
| LIABILITIES AND FUND EQUITY | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 8,848 | \$ | \$ 35,997 | \$ | \$ 44,845 |
| Accrued expenses | 10,567 | | 242,737 | | 10,567 |
| Deficit in pooled cash | | | | | 242,737 |
| Due to other funds | 70,836 | | 40,098 | | 70,836 |
| Customer meter deposits | | | | | 40,098 |
| Total liabilities | 90,251 | - | 318,832 | - | 409,083 |
| FUND EQUITY | | | | | |
| Contributed capital | | | 415,711 | | 415,711 |
| Investment in General Fixed Assets | | | | 1,330,993 | 1,330,993 |
| Retained earnings: | | | | | |
| Unreserved | | | 779,405 | | 779,405 |
| Fund balance - unreserved | 651,201 | 725,683 | | | 1,376,884 |
| Total fund equity | 651,201 | 725,683 | 1,195,116 | 1,330,993 | 3,902,993 |
| Total liabilities and fund equity | \$ 741,452 | \$ 725,683 | \$ 1,513,948 | \$ 1,330,993 | \$ 4,312,076 |

The accompanying notes are an integral part of this statement.

TOWN OF MADISONVILLE, LOUISIANA

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

For the Year Ended June 30, 2002

| | General Fund | | | Special Revenue Fund | | |
|---|----------------|----------------|---|----------------------|----------------|---|
| | Budget | Actual | Variance- Favorable (Unfavorable) | Budget | Actual | Variance- Favorable (Unfavorable) |
| REVENUES | | | | | | |
| Sales tax | \$ 195,000 | \$ 226,634 | \$ 31,634 | \$ 195,000 | \$ 226,634 | \$ 31,634 |
| Ad valorem taxes | 52,000 | 57,127 | 5,127 | | | |
| Other taxes | - | 3,202 | 3,202 | | | |
| Licenses and permits | 58,000 | 91,023 | 33,023 | | | |
| Franchise fees | 40,000 | 43,457 | 3,457 | | | |
| Fines and fees | 10,000 | 21,518 | 11,518 | | | |
| Boat trailer permits | 6,500 | 14,298 | 7,798 | | | |
| Rental income | 5,500 | 5,150 | (350) | | | |
| Interest income | - | 3,668 | 3,668 | | | |
| Donated funds | - | 3,467 | 3,467 | 20,000 | 10,842 | (9,158) |
| Grant | - | 9,000 | 9,000 | | | |
| Other | 15,000 | 10,678 | (4,322) | | | |
| Total revenues | 382,000 | 489,222 | 107,222 | 215,000 | 237,476 | 22,476 |
| EXPENDITURES | | | | | | |
| Personnel | 148,000 | 162,693 | (14,693) | | | |
| Payroll taxes | 12,000 | 13,372 | (1,372) | | | |
| Accounting fees | 8,000 | 2,001 | 5,999 | 1,176 | 1,176 | (1,176) |
| Alderman | 30,000 | 29,435 | 565 | | | |
| Auto and truck | 6,500 | 8,147 | (1,647) | | | |
| Insurance | 25,000 | 47,952 | (22,952) | | | |
| Legal fees | 16,600 | 5,100 | 11,500 | 4,563 | 4,563 | (4,563) |
| Pension | 25,440 | 30,447 | (5,007) | 4,632 | 4,632 | (4,632) |
| Police expense | 25,000 | 26,327 | (1,327) | | | |
| Repairs and maintenance | 9,000 | 14,829 | (5,829) | 70,000 | 9,040 | 60,960 |
| Utilities | 20,000 | 16,830 | 3,170 | | | |
| Other expenses | 40,000 | 29,262 | 10,738 | | | |
| Capital outlays | 20,000 | 14,061 | 5,939 | 60,000 | 52,826 | 7,174 |
| Total expenditures | 385,540 | 400,456 | (14,916) | 130,000 | 72,237 | 57,763 |
| Excess (deficiency) of revenues over expenditures | (3,540) | 88,766 | 92,306 | 85,000 | 165,239 | 80,239 |
| Other financing sources (uses) | | | | | | |
| Operating transfers in | 36,000 | - | (36,000) | | | |
| Operating transfers out | | - | | (36,000) | - | 36,000 |
| Total other financing sources (uses) | 36,000 | - | (36,000) | (36,000) | - | 36,000 |
| Excess of revenues and other financing sources over expenditures and other uses | \$ 32,460 | \$ 88,766 | \$ 56,306 | \$ 49,000 | \$ 165,239 | \$ 116,239 |
| Fund balance, beginning | | 562,435 | | | 560,444 | |
| Fund balance, ending | | \$ 651,201 | | | \$ 725,683 | |

The accompanying notes are an integral part of this statement.

TOWN OF MADISONVILLE, LOUISIANA

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

For the Year Ended June 30, 2001

| | General Fund | | | Special Revenue Fund | | |
|---|------------------|-------------------|----------------------------------|----------------------|-------------------|----------------------------------|
| | Budget | Actual | Variance-Favorable (Unfavorable) | Budget | Actual | Variance-Favorable (Unfavorable) |
| REVENUES | | | | | | |
| Sales tax | \$ 195,000 | \$ 203,278 | \$ 8,278 | \$ 195,000 | \$ 203,342 | \$ 8,342 |
| Ad valorem taxes | 43,000 | 51,107 | 8,107 | | | |
| Other taxes | - | 4,416 | 4,416 | | | |
| Licenses and permits | 52,000 | 75,405 | 23,405 | | | |
| Franchise fees | 30,000 | 43,955 | 13,955 | | | |
| Grant income | - | 15,000 | 15,000 | | | |
| Fines and fees | 5,000 | 14,558 | 9,558 | | | |
| Boat trailer permits | 8,000 | 9,580 | 1,580 | | | |
| Rental income | 8,500 | 5,850 | (2,650) | | | |
| Donated funds | - | 1,780 | 1,780 | | | |
| Interest income | - | 2,605 | 2,605 | 17,500 | 23,306 | 5,806 |
| Other | 35,000 | 3,771 | (31,229) | | | |
| Total revenues | <u>376,500</u> | <u>431,305</u> | <u>54,805</u> | <u>212,500</u> | <u>226,648</u> | <u>14,148</u> |
| EXPENDITURES | | | | | | |
| Personnel | 148,000 | 134,633 | 13,367 | | | |
| Payroll taxes | 12,000 | 11,704 | 296 | | | |
| Accounting fees | 15,000 | 7,944 | 7,056 | | 1,979 | (1,979) |
| Alderman | 30,000 | 30,123 | (123) | | | |
| Auto and truck | 6,500 | 6,839 | (339) | | | |
| Insurance | 22,000 | 34,524 | (12,524) | | | |
| Legal fees | 4,500 | 4,905 | (405) | | 1,498 | (1,498) |
| Pension | 6,750 | 10,039 | (3,289) | | | |
| Police expense | 23,000 | 31,099 | (8,099) | | | |
| Repairs and maintenance | 9,000 | 6,688 | 2,312 | 60,000 | 28,140 | 31,860 |
| Other expenses | 50,000 | 34,688 | 15,312 | | | |
| Utilities | 12,000 | 22,735 | (10,735) | | | |
| Capital outlays | 20,000 | 14,229 | 5,771 | 60,000 | 71,218 | (11,218) |
| Total expenditures | <u>358,750</u> | <u>350,150</u> | <u>8,600</u> | <u>120,000</u> | <u>102,835</u> | <u>17,165</u> |
| Excess of revenues over expenditures | <u>17,750</u> | <u>81,155</u> | <u>63,405</u> | <u>92,500</u> | <u>123,813</u> | <u>31,313</u> |
| Other financing sources (uses) | | | | | | |
| Operating transfers in | 36,000 | 21,000 | (15,000) | | | |
| Operating transfers out | | | | (36,000) | (21,000) | 15,000 |
| Total other financing sources (uses) | <u>36,000</u> | <u>21,000</u> | <u>(15,000)</u> | <u>(36,000)</u> | <u>(21,000)</u> | <u>15,000</u> |
| Excess of revenues and other financing sources over expenditures and other uses | \$ <u>53,750</u> | \$ <u>102,155</u> | \$ <u>48,405</u> | \$ <u>56,500</u> | \$ <u>102,813</u> | \$ <u>46,313</u> |
| Fund balance, beginning | | <u>460,280</u> | | | <u>457,631</u> | |
| Fund balance, ending | | \$ <u>562,435</u> | | | \$ <u>560,444</u> | |

The accompanying notes are an integral part of this statement.

TOWN OF MADISONVILLE, LOUISIANA

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

For the Years Ended June 30, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|---|-------------------|-------------------|
| Operating revenues | | |
| Gas sales | \$ 839,548 | \$ 1,153,136 |
| Garbage collection fees | 52,511 | 51,533 |
| Sewer service charges | 73,100 | 49,548 |
| Water sales | 57,678 | 50,402 |
| Connect fees | 30,286 | 22,328 |
| Miscellaneous fees | <u>30,841</u> | <u>25,826</u> |
| Total operating revenues | <u>1,083,964</u> | <u>1,352,773</u> |
| Operating expenses | | |
| Gas purchases | 590,998 | 944,798 |
| Personnel | 129,427 | 141,353 |
| Payroll taxes | 10,048 | 9,571 |
| Administrative and general | 68,731 | 47,985 |
| Authority fees | 8,017 | 8,338 |
| Auto and truck | 10,837 | 4,848 |
| Depreciation | 54,111 | 52,498 |
| Garbage disposal fees | 51,184 | 50,055 |
| Insurance | 16,892 | 29,387 |
| Repairs and maintenance | 60,039 | 51,284 |
| Utilities | <u>17,040</u> | <u>20,851</u> |
| Total operating expenses | <u>1,017,324</u> | <u>1,360,968</u> |
| Operating income (loss) | 66,640 | (8,195) |
| Non-operating revenues (expenses) | | |
| Interest income | <u>3,945</u> | <u>7,924</u> |
| Total non-operating revenues, net | <u>3,945</u> | <u>7,924</u> |
| Net income (loss) | 70,585 | (271) |
| Depreciation transferred to contributed capital | <u>27,962</u> | <u>27,962</u> |
| Net increase in retained earnings | 98,547 | 27,691 |
| Retained earnings beginning | <u>680,858</u> | <u>653,167</u> |
| Retained earnings end of year | <u>\$ 779,405</u> | <u>\$ 680,858</u> |

The accompanying notes are an integral part of this statement.

TOWN OF MADISONVILLE, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Years Ended June 30, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|---|------------------|-----------------|
| Cash flows from operating activities | | |
| Operating income (loss) | \$ 66,640 | \$ (8,195) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 54,111 | 52,498 |
| Decrease (increase) in accounts receivable | 13,393 | (33,086) |
| Increase (decrease) in accounts payable | <u>(3,554)</u> | <u>6,611</u> |
| Total adjustments | <u>63,950</u> | <u>26,023</u> |
| Net cash provided by operating activities | <u>130,590</u> | <u>17,828</u> |
| Cash flows from non-capital financing activities | | |
| Increase in customer meter deposits | <u>3,131</u> | <u>3,792</u> |
| Cash flows from financing activities | | |
| Increase in equity in pooled cash | (9,160) | (1,505) |
| Increase (decrease) in deficit in pooled cash | <u>(3,144)</u> | <u>55,686</u> |
| Net cash provided (used) by financing activities | <u>(12,304)</u> | <u>54,181</u> |
| Cash flows from investing activities | | |
| Receipts of interest | 3,944 | 7,924 |
| Purchase of rights of way | (14,049) | - |
| Purchases of investments | (11,945) | (13,003) |
| Investment in plant and equipment | <u>(99,367)</u> | <u>(70,722)</u> |
| Net cash (used) by investing activities | <u>(121,417)</u> | <u>(75,801)</u> |
| Net increase (decrease) in cash and cash equivalents | - | - |
| Cash and cash equivalents at beginning of year | <u>100</u> | <u>100</u> |
| Cash and cash equivalents at end of year | <u>\$ 100</u> | <u>\$ 100</u> |

The accompanying notes are an integral part of this statement.

TOWN OF MADISONVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Madisonville, Louisiana (the "Town") was incorporated in 1817, under the provisions of a special charter. The Town operates under a Mayor-Board of Aldermen form of government.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

1. Reporting Entity

The financial statements of the Town of Madisonville consist only of the funds and account groups of the Town. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

2. 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. The individual funds account for the governmental resources allocated to them for the purposes of carrying on specific activities in accordance with laws, regulations or other restrictions. The various funds are grouped, in the financial statements in this report, into four generic fund types and two broad fund categories as follows:

Governmental Fund Types - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund - This fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

TOWN OF MADISONVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting - Continued

Proprietary Fund Type - This fund accounts for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds.

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

General Fixed Assets Account Group - This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Funds.

3. Basis of Accounting

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, sales tax and investment earnings are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations which are recognized when paid.

All proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. The Town applies all applicable FASB pronouncements passed on or before November 30, 1989 in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

TOWN OF MADISONVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Budgetary Data

At the beginning of each fiscal year, an annual budget is prepared. At the end of the fiscal year, unexpended appropriations of these funds automatically lapse. The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a.) The Mayor, Board of Aldermen, Town Clerk, and other advisory personnel assemble the necessary financial information.
- b.) The proposed budget is made available for public inspection.
- c.) A public hearing is held for any recommendations or changes to the budget. The budget is legally adopted through passage of an ordinance by the Board of Aldermen.

5. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing deposits, and money market accounts. Cash equivalents include amounts in time deposits 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 national banks having their principal offices in Louisiana. Investments are limited to United States bonds, treasury notes, and certificates by Louisiana Revised Statute 33:2955.

6. Receivables

Uncollectible amounts due for customer utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. As of June 30, 2002, the allowance in the Natural Gas Fund is \$5,000.

7. Property, Plant and Equipment

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Asset Account Group. Infrastructure general fixed assets consisting of certain improvements such as roads, sidewalks, drainage systems and bridges, are not capitalized. Property, plant and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group. No depreciation has been provided on such assets.

TOWN OF MADISONVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Property, Plant and Equipment - Continued

Property, plant and equipment are stated at historical cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Property, plant and equipment items acquired for proprietary fund type operations are capitalized in the respective funds to which they relate.

Depreciation of exhaustible fixed assets used by the enterprise funds is charged as an expense against operations, and accumulated depreciation is reported on the enterprise funds' balance sheets. Depreciation has been provided over the estimated useful lives of the fixed assets using the straight-line method of depreciation. Depreciation for fixed assets acquired with contributed capital is charged directly to the applicable contributed capital account. Estimated useful lives are as follows:

| | |
|--------------------------------|----------|
| Sewerage treatment plant | 40 years |
| Sewerage collection system | 40 years |
| Water distribution system | 40 years |
| Gas distribution system | 40 years |
| Office furniture and equipment | 10 years |
| Transportation equipment | 5 years |

8. Short-Term Interfund Receivables/Payables

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

9. Vacation and Sick Leave

Town employees earn one week of vacation leave after one year of service and two weeks of vacation leave after four years of service. Any vacation not taken at the end of the year is forfeited. Upon termination of service, employees are paid for unused vacation leave. The Town employees earn one day per month of sick leave which can be accumulated up to thirty days. Sick leave is forfeited upon termination. There was no material accumulated vacation leave as of June 30, 2002 for which the Town would be held liable.

TOWN OF MADISONVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable on or before January 1 of the following year. All unpaid taxes become delinquent on March 31 of the following year. The Town bills and collects its own property taxes. The Town recognizes property tax revenues when levied to the extent that they are determined to be collectible.

For the years ended June 30, 2002 and June 30, 2001, the Town levied taxes of 11.52 mills that were dedicated to the General Fund.

11. Sales Tax

The Town imposes a two-percent sales and use tax. One-percent of this tax is dedicated for particular purposes and is accounted for in a special revenue fund. The other one-percent is unrestricted and is included in the General Fund.

12. Total Columns

The Combined Financial Statements include total columns that are described as "memorandum only". Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2002, the Town held cash deposits in banks totaling \$522,546 (book balances).

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 time equal the amount on deposit with the fiscal agent.

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

At June 30, 2002, the Town has \$529,426 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$429,426 of pledged securities held by the custodial bank in the name of the fiscal agent bank, GASB category 3.

TOWN OF MADISONVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE B - CASH AND CASH EQUIVALENTS (Continued)

Even though pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No.3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

NOTE C - INVESTMENTS

Investments of \$809,212 which are stated at market using published quotes as of June 30, 2002 are in the Louisiana Asset Management Pool Inc. (LAMP), a local government investment pool. In accordance with GASB Codification Section I50.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment is in a pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities; as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

TOWN OF MADISONVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE D - TAXES RECEIVABLE

As of June 30, 2002 , taxes receivable consist of the following:

| | <u>General</u> | <u>Special Revenue</u> | <u>Total</u> |
|-----------|------------------|----------------------------|------------------|
| Sales | \$ 19,616 | \$ 19,616 | \$ 39,232 |
| Franchise | <u>13,875</u> | <u>-</u> | <u>13,875</u> |
| | <u>\$ 33,491</u> | <u>\$ 19,616</u> | <u>\$ 53,107</u> |

NOTE E - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of changes in the general fixed assets account group for the fiscal years ended June 30, 2001 and 2002:

| | <u>Balance 6/30/00</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance 6/30/01</u> |
|--------------------------|----------------------------|------------------|--------------------|----------------------------|
| Land | \$ 713,455 | \$ - | \$ - | \$ 713,455 |
| Recreational facilities | 135,426 | 24,998 | - | 160,424 |
| Buildings | 196,031 | - | - | 196,031 |
| Transportation equipment | 199,415 | - | - | 199,415 |
| Furniture and equipment | <u>43,780</u> | <u>2,024</u> | <u>-</u> | <u>45,804</u> |
| | <u>\$1,288,107</u> | <u>\$ 27,022</u> | <u>\$ -</u> | <u>\$1,315,129</u> |

| | <u>Balance 6/30/01</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance 6/30/02</u> |
|--------------------------|----------------------------|------------------|--------------------|----------------------------|
| Land | \$ 713,455 | \$ - | \$ - | \$ 713,455 |
| Recreational facilities | 160,424 | - | - | 160,424 |
| Buildings | 196,031 | - | - | 196,031 |
| Transportation equipment | 199,415 | 16,596 | 14,329 | 201,682 |
| Furniture and equipment | <u>45,804</u> | <u>13,597</u> | <u>-</u> | <u>59,401</u> |
| | <u>\$1,315,129</u> | <u>\$ 30,193</u> | <u>\$ 14,329</u> | <u>\$1,330,993</u> |

TOWN OF MADISONVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE E - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment of the proprietary fund:

| | <u>Enterprise Funds</u> | | | <u>Total</u> |
|---|-------------------------|-----------------------|-----------------------|--------------------|
| | <u>Gas Fund</u> | <u>Water Fund</u> | <u>Sewer Fund</u> | |
| Sewerage treatment plant | \$ - | \$ - | \$ 160,190 | \$ 160,190 |
| Sewerage collection system | - | - | 835,317 | 835,317 |
| Distribution system | 896,359 | 234,859 | - | 1,131,248 |
| Transportation equipment | 14,655 | - | - | 14,655 |
| Furniture and equipment | 10,287 | 5,093 | - | 15,380 |
| Construction in progress | - | - | 36,587 | 36,587 |
| Land | <u>37,422</u> | <u>15,513</u> | <u>46,371</u> | <u>99,306</u> |
| Total property, plant and equipment at cost | 958,753 | 255,465 | 1,078,465 | 2,292,683 |
| Less: Accumulated depreciation | <u>(313,872)</u> | <u>(142,794)</u> | <u>(619,540)</u> | <u>(1,076,206)</u> |
| Total plant, property and equipment, net | <u>\$ 644,881</u> | <u>\$ 112,671</u> | <u>\$ 458,925</u> | <u>\$1,216,477</u> |

NOTE F - LAKE PONTCHARTRAIN BASIN MARITIME MUSEUM

On May 31, 1996, the Town entered into a management agreement with the Lake Pontchartrain Basin Maritime Museum, Inc., a non-profit corporation, whereby the Town allows the Museum to use a portion of Land for the construction and operation of a museum. The term of the agreement is for ninety-nine years. The Town retains title of the land along with any improvements constructed by the Museum. The Town also retains any liabilities related to defects at time of agreement. The Museum agrees to incur all necessary expenditures related to operation of the Museum. An addendum to this agreement was signed on March 9, 2001 whereby the Town also allows the Museum usage of a portion of land for a parking lot. During the year ended June 30, 2002, the United States Coast Guard donated the Madisonville Lighthouse to the Town. On May 24, 2002, the Town entered into another agreement with the Museum whereby the Town allows the Museum the use of the Lighthouse and the Museum agrees to preserve and restore the Lighthouse.

TOWN OF MADISONVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE G - RECONCILIATION OF CASH AND CASH EQUIVALENTS

The following is a reconciliation of cash and cash equivalents per the balance sheet of the Proprietary funds to the cash and cash equivalents per the statement of cash flow:

Cash and cash equivalents per balance sheet:

Cash \$ 100

NOTE H - EXPENDITURES - ACTUAL AND BUDGET

The following individual fund had actual expenditures over budgeted expenditures for the year ended June, 30, 2002:

| | <u>Budget</u> | <u>Actual</u> | <u>Unfavorable Variance</u> |
|---------------------|---------------|---------------|---------------------------------|
| General Fund - 2002 | \$ 385,540 | \$ 400,456 | \$ (14,916) |

NOTE I - RISK MANAGEMENT

The Town is a member of the Louisiana Municipal Risk Management Program. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for automobile and general liability insurance coverage and develop a comprehensive loss control program. The Town pays an annual premium to the Fund for its coverage. The Town's agreement with the Fund provides that the Fund will be self-sustaining through member premiums. The Town's deductible for each insured event is \$1,000. The Fund will maintain reinsurance up to \$500,000 per incident, per person.

NOTE J - PENSION PLAN

Many of the employees of the Town are members of the following State retirement systems:

A. Municipal Employees Retirement System of Louisiana

All employees of the Town of Madisonville except police officers and certain part-time personnel are members of the Municipal Employees Retirement System of Louisiana. This system is a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to each plan follows. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

TOWN OF MADISONVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE J - PENSION PLAN (Continued)

A. Municipal Employees Retirement System of Louisiana - Continued

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final average salary for each year of creditable service. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5 percent of their annual covered salary and the Town of Madisonville is required to contribute at an actuarially determined rate. The current rate is 2.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except in Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Madisonville are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System under Plan B for the years ending June 30, 2002, 2001, and 1999 were \$11,757, \$10,038, and \$8,773, respectively, which was equal to the required contributions for each year.

TOWN OF MADISONVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE J - PENSION PLAN (Continued)

B. Municipal Police Employees Retirement System of Louisiana (System)

All full-time police department employees engaged in law enforcement may participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final average salary for each year of creditable service. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. *Benefits are established by state statute.*

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

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Madisonville is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the Town of Madisonville are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the year ending December 31, 2001 was \$20,221, which is equal to the required contribution for the year. This was the first year the police employees of the Town were participants in this plan.

NOTE K - COMMITMENT

The Town has entered into a construction contract to improve its sewer plant. The total contract amount is \$191,000. At June 30, 2002, no payments had been made on the contract.

NOTE L - PLEDGED ASSETS AND CONTINGENT LIABILITIES

The Town has a letter of credit agreement totaling \$10,000 in favor of the St. Tammany Parish. The letter of credit guarantees the correction of damages that may occur while work is being performed on the gas system outside the Town of Madisonville city limits. As of June 30, 2002, the line of credit has not been drawn upon.

SUPPLEMENTAL INFORMATION AND COMBINING FINANCIAL STATEMENTS

• • •

ENTERPRISE FUNDS
UTILITY SYSTEMS

NARRATIVE EXPLANATION

The Enterprise funds are used to account for the provision of gas, water, sewer and sanitation 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, financing and related service, and billing and collection.

TOWN OF MADISONVILLE, LOUISIANA
 ENTERPRISE FUNDS - UTILITY SYSTEMS

COMBINING BALANCE SHEET

June 30, 2002

| ASSETS | Gas Fund | Water Fund | Sewerage Fund | Garbage Fund | Total |
|---|-------------------|-------------------|-------------------|------------------|---------------------|
| Current Assets | | | | | |
| Cash | \$ 50 | \$ 50 | \$ | \$ | \$ 100 |
| Equity in pooled cash Investments | 91,631 | 42,892 | 52,795 | 26,197 | 69,089 |
| Accounts receivable, net of allowance for doubtful accounts of \$5,000 | 43,891 | 7,238 | 9,006 | 6,033 | 66,168 |
| Utility property, plant and equipment, net of accumulated depreciation | <u>644,881</u> | <u>112,671</u> | <u>458,925</u> | <u></u> | <u>1,216,477</u> |
| Total assets | <u>\$ 780,453</u> | <u>\$ 162,851</u> | <u>\$ 520,726</u> | <u>\$ 49,918</u> | <u>\$ 1,513,948</u> |
| LIABILITIES & FUND EQUITY | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 25,368 | \$ 1,308 | \$ 5,012 | \$ 4,309 | \$ 35,997 |
| Deficit in pooled cash | 14,272 | | 228,465 | | 242,737 |
| Customer meter deposits | <u>31,418</u> | <u>8,680</u> | <u></u> | <u></u> | <u>40,098</u> |
| Total liabilities | <u>71,058</u> | <u>9,988</u> | <u>233,477</u> | <u>4,309</u> | <u>318,832</u> |
| Fund Equity | | | | | |
| Contributed capital | | 66,161 | 349,550 | | 415,711 |
| Retained earnings (deficit) Unreserved | <u>709,395</u> | <u>86,702</u> | <u>(62,301)</u> | <u>45,609</u> | <u>779,405</u> |
| Total fund equity | <u>709,395</u> | <u>152,863</u> | <u>287,249</u> | <u>45,609</u> | <u>1,195,116</u> |
| Total liabilities and fund equity | <u>\$ 780,453</u> | <u>\$ 162,851</u> | <u>\$ 520,726</u> | <u>\$ 49,918</u> | <u>\$ 1,513,948</u> |

TOWN OF MADISONVILLE, LOUISIANA

ENTERPRISE FUNDS - UTILITY SYSTEMS

COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Year Ended June 30, 2002

| | Gas Fund | Water Fund | Sewerage Fund | Garbage Fund | Total |
|---|-------------------|------------------|--------------------|------------------|-------------------|
| Operating revenues | | | | | |
| Gas sales | \$ 839,548 | \$ | \$ | \$ 52,511 | \$ 839,548 |
| Garbage collection fees | | | 73,100 | | 73,100 |
| Sewer service charges | | | | | 57,678 |
| Water sales | 27,136 | 57,678 | | | 84,814 |
| Connect fees | 21,614 | 750 | 2,400 | | 24,764 |
| Miscellaneous fees | 888,298 | 27 | 9,200 | | 917,525 |
| Total operating revenues | <u>888,298</u> | <u>58,455</u> | <u>84,700</u> | <u>52,511</u> | <u>1,083,964</u> |
| Operating expenses | | | | | |
| Gas purchased | 590,998 | | | | 590,998 |
| Personnel | 86,716 | 20,708 | 22,003 | | 129,427 |
| Payroll tax | 6,731 | 1,646 | 1,671 | | 10,048 |
| Administrative and general | 31,254 | 11,726 | 23,866 | 1,885 | 68,731 |
| Authority fees | 8,017 | | | | 8,017 |
| Auto and truck | 10,837 | | | | 10,837 |
| Depreciation | 22,624 | 6,599 | 24,888 | 51,184 | 54,111 |
| Garbage collection | | | | | 51,184 |
| Insurance | 16,892 | | | | 16,892 |
| Repairs and maintenance | 23,132 | 12,165 | 24,742 | | 60,039 |
| Utilities | 4,363 | 3,592 | 9,085 | | 17,040 |
| Total operating expenses | <u>801,564</u> | <u>56,436</u> | <u>106,255</u> | <u>53,069</u> | <u>1,017,324</u> |
| Operating income (loss) | 86,734 | 2,019 | (21,555) | (558) | 66,640 |
| Non-operating revenues (expenses) | | | | | |
| Interest income | 2,333 | | 1,166 | 446 | 3,945 |
| Total non-operating revenues (expenses) | <u>2,333</u> | <u>-</u> | <u>1,166</u> | <u>446</u> | <u>3,945</u> |
| Net income (loss) | 89,067 | 2,019 | (20,389) | (112) | 70,585 |
| Depreciation transferred to contributed capital | | 4,301 | 23,661 | - | 27,962 |
| Net increase (decrease) in retained earnings | 89,067 | 6,320 | 3,272 | (112) | 98,547 |
| Retained earnings (deficit) beginning | 620,328 | 80,382 | (65,573) | 45,721 | 680,858 |
| Retained earnings (deficit) ending | <u>\$ 709,395</u> | <u>\$ 86,702</u> | <u>\$ (62,301)</u> | <u>\$ 45,609</u> | <u>\$ 779,405</u> |

TOWN OF MADISONVILLE, LOUISIANA

ENTERPRISE FUNDS - UTILITY SYSTEMS

COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Year Ended June 30, 2001

| | Gas Fund | Water Fund | Sewerage Fund | Garbage Fund | Total |
|---|-------------------|------------------|--------------------|------------------|-------------------|
| Operating revenues | | | | | |
| Gas sales | \$ 1,153,136 | \$ | \$ | \$ | \$ 1,153,136 |
| Garbage collection fees | | | | 51,533 | 51,533 |
| Sewer service charges | | | 49,548 | | 49,548 |
| Water sales | | 50,402 | | | 50,402 |
| Connect fees | 20,353 | 775 | 1,200 | | 22,328 |
| Miscellaneous fees | 13,673 | 1,153 | 11,000 | | 25,826 |
| Total operating revenues | <u>1,187,162</u> | <u>52,330</u> | <u>61,748</u> | <u>51,533</u> | <u>1,352,773</u> |
| Operating expenses | | | | | |
| Gas purchased | 944,798 | | | | 944,798 |
| Personnel | 94,707 | 22,616 | 24,030 | | 141,353 |
| Payroll tax | 6,412 | 1,568 | 1,591 | | 9,571 |
| Administrative and general | 27,689 | 6,732 | 11,026 | 2,538 | 47,985 |
| Authority fees | 8,338 | | | | 8,338 |
| Auto and truck | 4,848 | | | | 4,848 |
| Depreciation | 21,048 | 6,562 | 24,888 | | 52,498 |
| Garbage collection | | | | 50,055 | 50,055 |
| Insurance | 20,496 | 4,189 | 4,702 | | 29,387 |
| Repairs and maintenance | 11,443 | 7,602 | 32,239 | | 51,284 |
| Utilities | 4,596 | 3,912 | 12,343 | | 20,851 |
| Total operating expenses | <u>1,144,375</u> | <u>53,181</u> | <u>110,819</u> | <u>52,593</u> | <u>1,360,968</u> |
| Operating income (loss) | 42,787 | (851) | (49,071) | (1,060) | (8,195) |
| Non-operating revenues (expenses) | | | | | |
| Interest income | 4,932 | | 2,034 | 958 | 7,924 |
| Total non-operating revenues (expenses) | <u>4,932</u> | <u>-</u> | <u>2,034</u> | <u>958</u> | <u>7,924</u> |
| Net income (loss) | 47,719 | (851) | (47,037) | (102) | (271) |
| Depreciation transferred to contributed capital | - | 4,391 | 23,661 | - | 27,962 |
| Net increase (decrease) in retained earnings | 47,719 | 3,450 | (23,376) | (102) | 27,691 |
| Retained earnings (deficit) beginning | 572,609 | 76,932 | (42,197) | 45,823 | 653,167 |
| Retained earnings (deficit) ending | <u>\$ 620,328</u> | <u>\$ 80,382</u> | <u>\$ (65,573)</u> | <u>\$ 45,721</u> | <u>\$ 680,858</u> |

TOWN OF MADISONVILLE, LOUISIANA

ENTERPRISE FUND - UTILITY SYSTEMS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2002

| | Gas Fund | Water Fund | Sewerage Fund | Garbage Fund | Total |
|--|-----------|------------|---------------|--------------|-----------|
| Cash flows from operating activities | | | | | |
| Operating income (loss) | \$ 86,734 | \$ 2,019 | \$ (21,555) | \$ (558) | \$ 66,640 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 22,624 | 6,599 | 24,888 | 644 | 54,111 |
| (Increase) decrease in accounts receivable | 16,157 | (665) | (2,743) | (165) | 13,393 |
| Increase (decrease) in accounts payable | (1,222) | 727 | (2,894) | 479 | (3,554) |
| Total adjustments | 37,559 | 6,661 | 19,251 | (79) | 63,950 |
| Net cash provided (used) by operating activities | 124,293 | 8,680 | (2,304) | (79) | 130,590 |
| Cash flows from non-capital financing activities | | | | | |
| Increase in customer meter deposits | 2,572 | 559 | - | - | 3,131 |
| Cash flows from financing activities | | | | | |
| Decrease (increase) in equity in pooled cash | (45,918) | (9,239) | 42,774 | 79 | (9,160) |
| Increase (decrease) in deficit in pooled cash | (45,918) | (9,239) | 42,774 | 79 | (12,304) |
| Net cash provided (used) by financing activities | (45,918) | (9,239) | 42,774 | 79 | (12,304) |
| Cash flows from investing activities | | | | | |
| Receipts of interest | 2,333 | - | 1,166 | 445 | 3,944 |
| Purchase of rights of way | (14,049) | - | (10,667) | (445) | (14,049) |
| Purchases of investments | (833) | - | (30,969) | - | (11,945) |
| Investment in plant and equipment | (68,398) | - | (40,470) | - | (99,367) |
| Net cash (used) by investing activities | (80,947) | - | (40,470) | - | (121,417) |
| Net increase in cash and cash equivalents | - | - | - | - | - |
| Cash and cash equivalents at beginning of year | 50 | 50 | - | - | 100 |
| Cash and cash equivalents at end of year | \$ 50 | \$ 50 | \$ - | \$ - | \$ 100 |

TOWN OF MADISONVILLE, LOUISIANA

ENTERPRISE FUND - UTILITY SYSTEMS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2001

| | Gas Fund | Water Fund | Sewerage Fund | Garbage Fund | Total |
|--|-----------|------------|---------------|--------------|------------|
| Cash flows from operating activities | | | | | |
| Operating income (loss) | \$ 42,787 | \$ (851) | \$ (49,071) | \$ (1,060) | \$ (8,195) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 21,048 | 6,562 | 24,888 | | 52,498 |
| Decrease (increase) in accounts receivable | (30,651) | (509) | (904) | (1,022) | (33,086) |
| Increase (decrease) in accounts payable | 1,826 | (119) | 4,515 | 389 | 6,611 |
| Total adjustments | (7,777) | 5,934 | 28,499 | (633) | 26,023 |
| Net cash provided (used) by operating activities | 35,010 | 5,083 | (20,572) | (1,693) | 17,828 |
| Cash flows from non-capital financing activities | | | | | |
| Increase in customer meter deposits | 2,698 | 1,094 | - | - | 3,792 |
| Cash flows from financing activities | | | | | |
| Decrease (increase) in equity in pooled cash | 21,494 | (3,192) | 34,192 | 1,687 | (1,505) |
| Increase (decrease) in deficit in pooled cash | | | | | 55,686 |
| Net cash provided (used) by financing activities | 21,494 | (3,192) | 34,192 | 1,687 | 54,181 |
| Cash flows from investing activities | | | | | |
| Receipts of interest | 4,932 | | 2,034 | 958 | 7,924 |
| Purchases of investments | (6,431) | | (5,620) | (952) | (13,003) |
| Investment in plant and equipment | (57,703) | (2,985) | (10,034) | | (70,722) |
| Net cash provided (used) by investing activities | (59,202) | (2,985) | (13,620) | 6 | (75,801) |
| Net increase in cash and cash equivalents | - | - | - | - | - |
| Cash and cash equivalents at beginning of year | 50 | 50 | - | - | 100 |
| Cash and cash equivalents at end of year | \$ 50 | \$ 50 | \$ - | \$ - | \$ 100 |

TOWN OF MADISONVILLE, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO MAYOR AND MEMBERS OF
THE BOARD OF ALDERMEN

For the Years Ending June 30, 2002 and June 30, 2001

| | <u>Term Expires</u> | <u>Compensation</u> | |
|--|---------------------|---------------------|-------------|
| | | <u>2002</u> | <u>2001</u> |
| MAYOR: | | | |
| Peter L. Gitz P.O. Box 122 Madisonville, LA 70447 | June 30, 2004 | \$10,664 | \$ 8,409 |
| ALDERMEN: | | | |
| Lawrence P. Ostendorf P.O. Box 37 Madisonville, LA 70447 | June 30, 2004 | 3,510 | 3,420 |
| Danny Tyrney P. O. Box 143 Madisonville, LA 70447 | June 30, 2004 | 3,510 | 3,420 |
| Mark D. Badeaux P. O. Box 156 Madisonville, LA 70447 | June 30, 2004 | 3,600 | 3,420 |
| Jerry Lange P.O. Box 393 Madisonville, LA 70447 | June 30, 2004 | 3,510 | 3,420 |
| Bonnie D. Fruge P.O. Box 1046 Madisonville, LA 70447 | June 30, 2004 | 3,210 | 3,420 |

Smith, Huval & Associates, L.L.C.

(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

P.O. Box 3790

Covington, Louisiana 70434-3790

Samuel K. Smith, CPA
Patrick "Bryan" Huval, CPA

(985) 892-6633 - Covington
(985) 892-4666 - FAX

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

To The Honorable Mayor Peter L. Gitz and
The Board of Aldermen
Town of Madisonville, Louisiana

We have audited the general purpose financial statements of the Town of Madisonville, Louisiana as of and for the two years ended June 30, 2002, and have issued our report thereon dated July 30, 2002. We conducted our 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 Madisonville, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Madisonville, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties.

July 30, 2002

Smith, Huval & Associates, L.L.C.