

OFFICIAL
FILE COPY
DO NOT SEND OUT
(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

RECEIVED
LEGISLATIVE AUDITOR
00 MAY 17 AM 9:28

TOWN OF ABITA SPRINGS
ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND - UTILITY SYSTEMS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT WITH SUPPLEMENTAL INFORMATION

December 31, 1999 and 1998

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 _____

MAY 24 2000

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
BALANCE SHEETS	5
STATEMENTS OF REVENUES, EXPENSES, AND DEFICIT IN RETAINED EARNINGS	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
SCHEDULES OF OPERATING EXPENSES	20
SCHEDULE OF INVESTMENTS	21
SCHEDULE OF UTILITY RATES	22
SCHEDULE OF GOVERNING BOARD	23
SCHEDULE OF INSURANCE COVERAGE	24
SPECIAL REPORTS OF INDEPENDENT AUDITORS'	
INDEPENDENT AUDITORS' 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>	25

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

(504) 892-6633 - Covington
(504) 892-4666 - FAX

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Board of Aldermen
Town of Abita Springs
Abita Springs, Louisiana

We have audited the accompanying financial statements of the Enterprise Fund - Utility Systems of the Town of Abita Springs, Louisiana, as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 financial statements are free of material misstatement*. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A-2, the financial statements present only the Enterprise Fund - Utility Systems and are not intended to present fairly the financial position and results of operation of the Town of Abita Springs, Louisiana, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise Fund - Utility Systems of the Town of Abita Springs, Louisiana, at December 31, 1999 and 1998, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Enterprise Fund - Utility Systems of the Town of Abita Springs, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The Honorable Mayor and Board of Aldermen
Abita Springs, Louisiana

In accordance with Government Auditing Standards, we have also issued a report dated March 30, 2000 on our consideration of the Town of Abita Springs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, controls, and grants.

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

March 30, 2000

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

BALANCE SHEETS

December 31, 1999 and 1998

ASSETS	<u>1999</u>	<u>1998</u>
Current Assets:		
Cash	\$ 864	\$ 125
Equity in pooled cash	70,887	58,797
Certificates of Deposit	255,290	795,918
Investments	26,303	25,116
Consumer accounts receivable (net of uncollectible of \$5,154 for 1999 and \$4,825 for 1998)	74,929	70,139
Grant receivable	-	22,640
Interest receivable	2,887	4,712
Other receivable	-	2,742
Prepaid expenses	<u>2,720</u>	<u>2,511</u>
Total current assets	<u>433,880</u>	<u>982,700</u>
Restricted Assets:		
Revenue Bond Sinking Fund		
Cash	58,510	20,633
Investments	-	22,623
Revenue Bond Reserve Fund Investments		
Cash	5,003	890
Investments	28,487	27,148
Capital Additions and Contingencies Fund		
Cash	5,188	871
Investments	23,717	22,616
Meter Deposit Fund		
Cash in bank	18,326	38,376
Investments	<u>53,099</u>	<u>28,003</u>
Total restricted assets	<u>192,330</u>	<u>161,160</u>
Fixed Assets:		
Plant and equipment at cost, net of accumulated depreciation (1999 - \$956,827; 1998 - \$896,032)	<u>2,263,781</u>	<u>1,536,756</u>

The accompanying notes are an integral part of this statement.

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

BALANCE SHEETS

December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Other Assets		
Bond issuance cost	\$ 10,884	\$ 11,456
Construction in progress	<u> -</u>	<u>20,850</u>
Total other assets	<u>10,884</u>	<u>32,306</u>
	<u>\$2,900,875</u>	<u>\$2,712,922</u>

The accompanying notes are an integral part of this statement.

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

BALANCE SHEETS

December 31, 1999 and 1998

LIABILITIES AND FUND EQUITY

	<u>1999</u>	<u>1998</u>
Current Liabilities (payable from current assets)		
Accounts payable	\$ 255,700	\$ 113,111
Current Liabilities (payable from restricted assets)		
Accrued interest	29,572	30,095
Revenue bonds payable	21,338	20,091
Certificate of indebtedness	15,000	14,000
Customer meter deposits	<u>66,541</u>	<u>64,503</u>
Total current liabilities (payable from restricted assets)	<u>132,451</u>	<u>128,689</u>
Long-Term Liabilities:		
Certificate of indebtedness	151,000	166,000
Revenue bonds payable	<u>930,511</u>	<u>952,155</u>
Total long-term liabilities	<u>1,081,511</u>	<u>1,118,155</u>
Total Liabilities	<u>1,469,662</u>	<u>1,359,955</u>
Fund Equity:		
Contributed capital		
Capital Project Fund	293,084	293,085
Sales Tax Fund	7,008	7,008
Municipality	271,274	271,273
E.P.A. Grant	273,339	273,339
CDB Grant	<u>598,706</u>	<u>598,706</u>
Total contributed capital	<u>1,443,411</u>	<u>1,443,411</u>
Retained earnings		
Revenue Bond Fund	26,090	7,108
Capital Additions and Contingencies Fund	28,905	41,053
Meter Deposit Reserve Fund	4,884	1,875
Unreserved deficit	<u>(72,077)</u>	<u>(140,480)</u>
Total deficit in retained earnings	<u>(12,198)</u>	<u>(90,444)</u>
Total Fund Equity	<u>1,431,213</u>	<u>1,352,967</u>
	<u>\$2,900,875</u>	<u>\$2,712,922</u>

The accompanying notes are an integral part of this statement.

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

STATEMENTS OF REVENUES, EXPENSES,
AND DEFICIT IN RETAINED EARNINGS

For the Years Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Operating revenues		
Gas sales	\$ 295,949	\$ 277,923
Water sales	97,341	94,241
Sewer service charges	174,920	118,858
Garbage collection fees	113,053	108,654
Water and Gas connect fees	31,632	20,139
Miscellaneous	<u>20,551</u>	<u>28,299</u>
Total operating revenues	<u>733,446</u>	<u>648,114</u>
Operating expenses		
Gas purchased	127,105	153,301
Gas system	64,794	52,749
Garbage collection	110,001	105,897
Sewerage system	117,871	96,298
Water system	57,755	88,306
Depreciation	60,791	57,567
Administrative and general	<u>68,944</u>	<u>70,270</u>
Total operating expenses	<u>607,261</u>	<u>624,388</u>
Net operating income	126,185	23,726
Non-operating revenues (expenses)		
Interest income	39,500	23,481
Rural development grant	-	22,640
Interest expense	<u>(67,439)</u>	<u>(46,635)</u>
Total non-operating revenues (expenses)	<u>(27,939)</u>	<u>(514)</u>
Net income before operating transfers	98,246	23,212
Operating transfers out	<u>(20,000)</u>	<u>(20,000)</u>
Net income	78,246	3,212
Retained earnings (deficit), beginning	<u>(90,444)</u>	<u>(93,656)</u>
Retained deficit, ending	<u>\$ (12,198)</u>	<u>\$ (90,444)</u>

The accompanying notes are an integral part of this statement.

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Net operating income	\$ 126,185	\$ 23,726
Adjustments to reconcile net operating loss to net cash provided by operating activities		
Depreciation	60,791	57,567
Amortization of bond issuance cost	572	-
Decrease (increase) in receivables	(4,790)	27,352
Decrease (increase) in other receivables	25,382	(25,382)
Decrease (increase) in prepaid expenses	(209)	2,139
Increase in accounts payable	142,589	16,367
Total adjustments	224,335	78,043
Net cash provided by operating activities	<u>350,520</u>	<u>101,769</u>
Cash flows from noncapital financing activities:		
Increase in customer deposits	2,038	3,429
Operating transfers out to other funds	(20,000)	(20,000)
Increase in equity in pooled cash	(12,090)	(35,096)
Net cash used by noncapital financing activities	<u>(30,052)</u>	<u>(51,667)</u>
Cash flows from capital and related financing activities:		
Rural development proceeds	-	22,640
Bond and certificate of indebtedness proceeds	-	780,000
Bond issuance cost deferred	-	(11,456)
Current construction costs	(757,176)	(20,850)
Purchase of fixed assets	(9,790)	(10,541)
Principal payment on bonds	(20,397)	(3,335)
Principal payment on certificate of indebtedness	(14,000)	-
Interest payment on bonds	(67,962)	(32,681)
Net cash provided (used) by capital and related financing activities	<u>(869,325)</u>	<u>723,777</u>
Cash flows from investing activities:		
Interest received from investments	41,325	22,260
Purchase of investments not classified as cash equivalents	(6,100)	26,051
Net cash provided by investing activities	<u>35,225</u>	<u>48,311</u>
Net increase (decrease) in cash and cash equivalents	(513,632)	822,190
Cash and cash equivalents at the beginning of the year	<u>856,813</u>	<u>34,623</u>
Cash and cash equivalents at the end of the year	<u>\$ 343,181</u>	<u>\$ 856,813</u>

The accompanying notes are an integral part of this statement.

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Abita Springs was incorporated in 1914, under the provisions of the Lawson Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Abita Springs conform to generally accepted accounting principles (GAAP) as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in establishing governmental accounting and financial reporting principles. The following is a summary of certain significant accounting policies:

1. Reporting Entity

The financial statements of the Enterprise Fund - Utility Systems of the Town of Abita Springs consists only of the proprietary fund 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 of Abita Springs are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accompanying financial statements present only the Enterprise Fund and do not intend to present fairly the financial position of all funds of the Town of Abita Springs.

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the government 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 the period determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Fixed Assets

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet. Its reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Fixed assets consist of property, plant and equipment. All fixed assets are recorded at cost. Donated fixed assets are stated at estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Accumulated depreciation is reported on the propriety fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated lives are as follows:

Water, Sewerage and Gas Systems	25-40 years
Equipment	5 years

The Town did not maintain inventories of fixed assets for the proprietary fund prior to January 1, 1960. Therefore, the value of fixed assets acquired prior to that date are not represented in the financial statements. Detailed records and the valuation of fixed asset additions for the years subsequent to that date have been maintained.

4. Basis of Accounting

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

The accompanying proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

5. Budgets and Budgetary Accounting

Prior to the beginning of each year, an annual operating budget is prepared. At the end of the fiscal year, unexpended appropriations of these funds automatically lapse.

The Town follows these procedures in establishing budgets:

- (1) The Mayor, Board of Aldermen, Town Clerk, and other advisory personnel assemble the necessary financial information. The Mayor submits the information for review to the Council before the November meeting.
- (2) The budget information is introduced at its regular meeting in November and is published in its official publication.
- (3) The budget is adopted prior to or at the last meeting of the current fiscal year. The budget is legally adopted at the department level through passage of an ordinance.

6. Cash, Cash Equivalents and Investments

Cash balances of all funds are combined to the extent possible. Interest earned on deposits is distributed to the individual funds based on the investment balances of the participating funds during the year. Each fund's portion of the pooled cash is included in equity or deficit in pooled cash on the accompanying balance sheet.

Under state law, the Town may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The Town's deposits for the Enterprise Fund at December 31, are summarized as follows:

	Carrying <u>1999</u>	Amounts <u>1998</u>
Category I		
Demand deposits	<u>\$ 87,891</u>	<u>\$ 60,895</u>

Under state law, the bank balances of these deposits 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 or exceed the amount on deposit with the fiscal agent. At December 31, 1999 and 1998, deposits are entirely insured or collateralized with

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6. Cash, Cash Equivalents and Investments - Continued

securities held by a mutually acceptable third party financial institution in the Town's name, which is considered a category 1 investment risk as defined by the Governmental Accounting Standards Board.

The Enterprise Fund of the Town of Abita Springs had investments which consisted of one United States treasury bills stated at amortized cost of \$131,606 December 31, 1999 and a cost of \$125,506 at December 31, 1998. These investments are considered a category 2 investment risk, which includes investments for which the securities are held by the counterpart's trust department in the Town's name. The market value at December 31, 1999 and 1998 approximates cost. The investments are carried at the lower of cost or market and do not include \$2,887 and \$4,712, respectively, of accrued interest.

The Town considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents in the Enterprise Fund.

7. Accounts Receivable

Uncollectible amounts due for customers' 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. The allowance is \$5,154 and \$4,825 at December 31, 1999 and 1998, respectively.

NOTE B - RESTRICTED ASSETS

The Town has approved resolutions authorizing the issuance of \$395,000 Utility Revenue Bonds dated March 24, 1990 and \$600,000 of Utility Revenue Bonds dated July 8, 1998. Both of these resolutions provide for certain restrictions on the assets of the Enterprise Fund. The following reserve requirements have been met for the year ended December 31, 1999 and 1998.

1. Revenue Bond Sinking Fund

The resolution called for the establishment and maintenance of a Utilities Revenue Bond and Sinking Fund sufficient in amount to pay promptly and in full the principal of and the interest on bonds authorized as they become due and payable.

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE B- RESTRICTED ASSETS (Continued)

2. Revenue Bond Reserve Fund

The resolution called for the establishment of a Revenue Bond Reserve Fund by depositing with the designated fiscal agent bank of the Town until such time as there has been accumulated in said Reserve Fund a sum equal to the highest combined principal and interest payments in any year of Bonds. The sole purpose of this fund is to pay the principal of and the interest on the bonds payable from the Revenue Bond Reserve Fund as to which these would otherwise be in default.

3. Depreciation and Contingency Fund

The resolution called for the establishment and maintenance of a Depreciation and Contingency Fund to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Regular deposits of \$371 a month are to be deposited with the regularly designated fiscal agent of the Town.

Meter Deposit Fund - The Town established a meter deposit fund to help maintain customer meter deposits on hand as well as help control customer meter deposits received.

NOTE C - FIXED ASSETS

Fixed assets are shown at net on the Balance Sheet for the Enterprise Fund and consist of the following:

	<u>1999</u>	<u>1998</u>
Utility systems - initial costs and improvements: 1960 through 1978	\$ 270,353	\$ 270,353
Sewer system: 1978	692,724	684,284
Extensions and additions: 1979 to 1990	49,695	49,695
Sewer plant - 1999	778,026	-
Water system improvements: 1990 and beyond	669,069	667,719
Extensions and additions: 1990 and beyond	751,190	751,190
Computer equipment and software	<u>9,551</u>	<u>9,551</u>
	3,220,608	2,432,792
Less: Accumulated Depreciation	<u>956,827</u>	<u>896,036</u>
Balance at end of year	<u>\$2,263,781</u>	<u>\$1,536,756</u>

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE D - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 1999:

Bonds Payable at 01/01/99	\$1,152,246
Bonds Issued	-
Bonds Retired	<u>34,397</u>
Bonds Payable at 12/31/99	<u>\$1,117,849</u>

Bonds and certificates payable at December 31, 1999, is comprised of the following:

Revenue Bonds

\$600,000 Utility Bonds dated 07/08/98; due in annual installments through March 1, 2018 including interest at 6.0%; secured by revenues of the Enterprise System.	584,000
\$180,000 Certificate of Indebtedness dated 1998, due in annual installments through June 2008; interest paid semi-annually at 6% revenues of the Enterprise System.	166,000
\$395,000 Utility Bonds dated 03/24/90; due in annual installments of \$26,426 including interest at 6.0%; secured by revenues of the Enterprise System.	<u>367,849</u>
	1,117,849
Less current maturities	<u>36,338</u>
Long-term debt	<u>\$1,081,511</u>

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE E - ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT

The annual requirements to amortize long-term debt are as follows as of December 31, 1999:

Year Ending <u>December 31</u>	Revenue <u>Bonds</u>
2000	\$ 36,338
2001	37,598
2002	40,874
2003	43,166
2004	45,476
Thereafter	<u>914,397</u>
	<u>\$1,117,849</u>

NOTE F - PENSION PLANS

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (MERS)

Plan Description and Provisions:

All of the Town's full time employees, other than police employees, participate in the MERS, a multiple-employer, cost sharing pension plan.

Employees can retire providing they meet one of the following criteria:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Under age 60 with a minimum of five (5) years of creditable service eligible for disability benefits.
5. Survivor's benefits require five (5) years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member shall consist of an amount equal to three percent of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

In lieu of terminating employment and accepting a service retirement allowance, any member of the plan who has been an active contributing member for one full year after becoming eligible for normal

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE F - PENSION PLANS

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (MERS) - Continued

retirement may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. Upon commencement of participation in the plan, membership in the System terminates. During participation in the plan, employer contributions are payable but employee contributions cease.

If a member's employment is terminated before the member is eligible for any benefits under MERS, the member shall receive a refund of his member contributions.

The System issued 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 (504) 925-4810.

Description of Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate, which is currently 5.75% 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 based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town 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 A for the years ending December 31, 1999, 1998, and 1997, were \$9,872, \$8,639, and \$8,435, respectively, equal to the required contributions for each year.

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE G - BOARD OF ALDERMEN SALARIES

The Board of Aldermen receive two hundred dollars per monthly meeting. They also receive fifty dollars for any special meetings. The special meetings in which the Board can earn fifty dollars are limited to not more than one per month. The Board of Aldermen salaries are included in the Town's General Fund.

NOTE H - RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

	<u>1999</u>	<u>1998</u>
Cash and cash equivalents per balance sheet:		
Cash on hand and in bank	\$ 864	\$ 125
Certificates of deposit	255,290	795,918
Restricted:		
Bond Sinking Fund	58,510	20,633
Bond Reserve Fund	5,003	890
Capital Additions and Contingencies	5,188	871
Meter deposits	<u>18,326</u>	<u>38,376</u>
Total	<u>\$ 343,181</u>	<u>\$ 856,813</u>
Cash and cash equivalents per statement of cash flows	<u>\$ 343,181</u>	<u>\$ 856,813</u>

NOTE I - CUSTOMER ACCOUNTS RECEIVABLE

As of December 31, 1999, accounts receivable from utility customers is aged as follows:

Current	\$74,998
30 - 90 days	751
90 days and over	<u>4,334</u>
	<u>\$80,083</u>

SUPPLEMENTARY INFORMATION

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

SCHEDULES OF OPERATING EXPENSES

For the Years Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Gas System		
Repairs and maintenance	\$ 23,388	\$ 26,363
Salaries	31,536	26,386
Materials	<u>9,870</u>	<u>-</u>
Total Gas System	<u>\$ 64,794</u>	<u>\$ 52,749</u>
Garbage Collections		
Garbage pick-up	\$107,361	\$ 102,007
Trash pickup	<u>2,640</u>	<u>3,890</u>
Total Garbage Collection	<u>\$110,001</u>	<u>\$ 105,897</u>
Sewerage System		
Repairs and maintenance	\$ 49,993	\$ 42,439
Salaries	37,343	33,188
Plant testing	7,179	4,161
Materials and supplies	9,480	5,385
Utilities	<u>13,876</u>	<u>11,125</u>
Total Sewerage System	<u>\$117,871</u>	<u>\$ 96,298</u>
Water System		
Repairs and maintenance	\$ 11,374	\$ 56,337
Salaries	33,476	28,120
Materials and supplies	7,217	-
Utilities	<u>5,688</u>	<u>3,849</u>
Total Water System	<u>\$ 57,755</u>	<u>\$ 88,306</u>
Administrative and General		
Employee insurance and retirement	\$ 26,693	\$ 23,537
Legal and accounting	16,191	10,289
Insurance expense	3,866	7,360
Bad debts	330	107
Billing expense, primarily postage	9,780	3,239
Office supplies	3,523	2,826
Uniforms	1,735	3,211
Advertising and publication	-	1,848
Miscellaneous	4,703	12,396
Travel and meetings	<u>2,123</u>	<u>5,457</u>
Total Administrative and General	<u>\$ 68,944</u>	<u>\$ 70,270</u>

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

COMBINED SCHEDULE OF INVESTMENTS

December 31, 1999

	<u>Yield</u>	<u>Maturity Date</u>	<u>Amount</u>
Utility Fund			
Meter Deposit Account			
United States Treasury Bill			
First National Bank of Commerce	4.50%	1/20/00	\$ 53,099
Operations			
United States Treasury Bill			
First National Bank of Commerce	4.50%	1/20/00	26,303
Revenue Bond Reserve			
United States Treasury Bill			
First National Bank of Commerce	4.50%	1/20/00	28,487
Capital Additions and Contingencies			
United States Treasury Bill			
First National Bank of Commerce	4.50%	1/20/00	23,717
			<u>\$131,606</u>

Town of Abita Springs, Louisiana
SUPPLEMENTAL INFORMATION

December 31, 1999

Utility Rate Schedule at December 31, 1999

Water charges:

- Residential
 - \$ 5.95 per month for the first 2,000 gallons
 - .90 per month per thousand for next 8,000 gallons
 - .50 per month per thousand over 10,000 gallons
- Commercial
 - \$15.00 per month for first 10,000 gallons
 - .50 per month over 10,000 gallons

Sewer charges:

- All customers
 - 2.17 times the water bill calculated above with a minimum of \$13.00 and a maximum of \$ 55.00

Gas rate schedule:

Charges are based on usage schedule ranging from \$4.95/cubic foot to \$.74/cubic foot depending on the volume used. The minimum charge is \$4.95 per month.

Garbage Collection

Flat rate of \$13.00 for all customers.

Town of Abita Springs, Louisiana
SUPPLEMENTAL INFORMATION

December 31, 1999

Governing Board

<u>Board of Aldermen</u>	<u>Term of Office</u>	<u>Compensation</u>
Jonathan Davis, Mayor Pro-Tem P. O. Box 461 Abita Springs, LA 70420 504-892-0711	December 31, 2002	\$ 2,400
Lynn Bridges P. O. Box 461 Abita Springs, LA 70420 504-892-0711	December 31, 2002	\$ 2,400
Ruth Terry-Sipos P. O. Box 461 Abita Springs, LA 70420 504-892-0711	December 31, 2002	\$ 2,600
Louis Fitzmorris P. O. Box 461 Abita Springs, LA 70420 504-892-0711	December 31, 2002	\$ 2,600
Calvin Cognovich P. O. Box 461 Abita Springs, LA 70420 504-892-0711	December 31, 2002	\$ 2,600

Town of Abita Springs, Louisiana
SUPPLEMENTAL INFORMATION

December 31, 1999

Schedule of Insurance Coverage

<u>Coverage</u>	<u>Amount of Coverage</u>
Property and contents (aggregate)	\$ 477,000
Fidelity	
Mayor	\$ 20,000
Mayor pro tem	20,000
Town clerk	20,000
Utility clerk	20,000
Liability	
General	\$2,000,000
Auto	2,000,000
Error and omissions	2,000,000
Law enforcement	2,000,000

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

(504) 892-6633 - Covington
(504) 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*

The Honorable Mayor and Board of Alderman
Town of Abita Springs, Louisiana

We have audited the financial statements of the Enterprise Fund of the Town of Abita Springs as of and for the years ended December 31, 1999 and 1998 and have issued our report thereon dated March 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the Enterprise Fund of the Town of Abita Springs' 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*.

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

This report is intended for the information of management, the Rural and Economic Development office of the U.S. Department of Agriculture and the Louisiana Legislative Auditor.

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

March 30, 2000