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TOWN OF ABITA SPRINGS
ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND - UTILITY SYSTEMS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS
REPORT WITH SUPPLEMENTAL INFORMATION

DECEMBER 31, 1997 AND 1998

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

Release Date MAY 13 1998

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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, 1997 and 1996, 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. These 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, 1997 and 1996, 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 in 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
Abbeville Springs, Louisiana

In accordance with Government Accounting Standards, we have also issued a report dated March 8, 1998 on our consideration of the Town of Abbeville Springs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Smith, Havel & Associates, L.L.C.

March 8, 1998

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

BALANCE SHEETS

December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
ASSETS		
Current Assets:		
Cash on hand	\$ 125	\$ 135
Equity in pooled cash	23,391	-
Investments	93,853	40,268
Consumer accounts receivable (net of uncollectible of \$12,899 for 1997 and \$10,034 for 1996)	60,491	90,748
Interest receivable	3,491	4,074
Prepaid expenses	4,850	4,024
Due from other funds	-	3,256
Total current assets	<u>183,310</u>	<u>156,703</u>
Restricted Assets:		
Revenue Bond Sinking Fund Investments	22,021	22,021
Revenue Bond Reserve Fund Investments	26,425	26,425
Capital Additions and Contingencies Fund Investments	22,028	61,187
Water Deposit Fund		
Cash in bank	34,498	28,303
Investments	27,733	28,150
Total restricted assets	<u>132,205</u>	<u>166,956</u>
Fixed Assets:		
Plant and equipment at cost, net of accumulated depreciation (1997 - \$838,460; 1996 - \$781,267)	<u>1,580,782</u>	<u>1,640,984</u>
	\$1,899,285	\$1,958,713

The accompanying notes are an integral part of this statement.

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

BALANCE SHEETS

December 31, 1997 and 1996

LIABILITIES AND FUND EQUITY

	<u>1997</u>	<u>1996</u>
Current Liabilities (payable from current assets)		
Accounts payable	\$ 96,744	\$ 61,450
Deficit in pooled cash	—	27,363
Total current liabilities (payable from current assets)	<u>96,744</u>	<u>118,843</u>
Current Liabilities (payable from restricted assets)		
Accrued interest	16,143	16,782
Revenue bonds payable	5,906	4,883
Customer meter deposits	61,074	58,655
Total current liabilities (payable from restricted assets)	<u>83,210</u>	<u>79,319</u>
Long-Term Liabilities:		
Revenue bonds payable	<u>360,586</u>	<u>376,660</u>
Total Liabilities	<u>540,540</u>	<u>573,222</u>
Fund Equity:		
Contributed capital		
Capital Project Fund	293,084	293,084
Sales Tax Fund	7,008	7,008
Municipality	271,274	271,274
E.P.A. Grant	273,339	235,519
CDM Grant	598,786	598,708
Total contributed capital	<u>1,443,481</u>	<u>1,445,413</u>
Retained earnings:		
Revenue Bond Fund	26,311	26,801
Capital Additions and Contingencies Fund	22,026	61,187
Meter Deposit Reserve Fund	637	637
Unrecovered deficit	(142,658)	(146,574)
Total deficit in retained earnings	<u>(153,684)</u>	<u>(157,949)</u>
Total Fund Equity	<u>1,289,797</u>	<u>1,287,463</u>
	<u>\$1,829,237</u>	<u>\$1,860,213</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, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Operating revenues		
Gas sales	\$ 284,527	\$ 290,764
Water sales	91,481	91,282
Sewer service charges	97,995	92,481
Garbage collection fees	94,552	75,829
Water and gas connect fees	8,079	685
Miscellaneous	<u>15,320</u>	<u>45</u>
Total operating revenues	<u>591,954</u>	<u>551,326</u>
Operating expenses		
Gas purchased	160,455	156,240
Gas system	48,790	30,183
Garbage collection	104,223	88,179
Sewerage system	182,019	170,159
Water system	84,109	59,095
Depreciation	57,202	56,736
Administrative and general	<u>46,268</u>	<u>71,948</u>
Total operating expenses	<u>587,158</u>	<u>588,148</u>
Net operating loss	(3,194)	(36,818)
Non-operating revenues (expenses)		
Interest income	90,477	8,260
Interest expense	<u>(21,025)</u>	<u>(23,304)</u>
Total non-operating revenues (expenses)	<u>69,452</u>	<u>(15,044)</u>
Net loss before operating transfers	(15,732)	(51,862)
Operating transfers out	<u>(20,000)</u>	<u>(40,000)</u>
Net loss	(35,732)	(91,862)
Retained earnings (deficit), beginning	<u>(57,984)</u>	<u>33,958</u>
Retained deficit, ending	<u>\$ (93,650)</u>	<u>\$ (157,904)</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, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:		
Net operating loss	\$ (5,204)	\$ (16,810)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation	57,202	56,778
Increase in receivables	(6,743)	(15,296)
Increase in prepaid expenses	(686)	(903)
Increase in accounts payable	5,264	38,073
Total adjustments	<u>48,937</u>	<u>68,652</u>
Net cash provided by operating activities	<u>43,733</u>	<u>51,842</u>
Cash flows from noncapital financing activities:		
Increase in customer deposits	4,418	7,296
(Increase) decrease in due from other funds	5,556	(5,556)
Increase (decrease) in deficit in pooled cash	(17,363)	17,363
Operating transfers out to other funds	(20,000)	(40,000)
Increase in equity in pooled cash	<u>(12,791)</u>	<u>-</u>
Net cash used by noncapital financing activities	<u>(10,179)</u>	<u>(10,897)</u>
Cash flows from capital and related financing activities:		
Principal payment on bonds	(5,204)	(1,499)
Interest payment on bonds	<u>(11,686)</u>	<u>(14,121)</u>
Net cash used by capital and related financing activities	<u>(16,890)</u>	<u>(15,620)</u>
Cash flows from investing activities:		
Interest received from investments	11,680	8,412
(Purchase) maturity of investments not classified as cash equivalents, net	<u>32,902</u>	<u>(13,151)</u>
Net cash provided (used) by investing activities	<u>44,582</u>	<u>(4,739)</u>
Net increase (decrease) in cash and cash equivalents	5,335	(9,825)
Cash and cash equivalents at the beginning of the year	<u>29,288</u>	<u>39,113</u>
Cash and cash equivalents at the end of the year	<u>\$ 34,623</u>	<u>\$ 29,288</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, 1987 and 1986

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Abita Springs was incorporated in 1914, under the provisions of the Lawton 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. *Separate Funds*

The financial statements of the Enterprise Fund - Utility Systems of the Town of Abita Springs consist 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. Governmental 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, 1997 and 1996

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 constituted 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 proprietary 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, 1998. 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, 1997 and 1996

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:

	<u>Carrying</u> <u>1997</u>	<u>Amounts</u> <u>1996</u>
Category 1		
Demand deposits	\$ 38,623	\$ 28,188

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, 1997 and 1996, deposits are entirely insured or collateralized with

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1997 and 1996

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 bill stated at a cost of \$151,557 December 31, 1997 and a cost of \$163,546 at December 31, 1996. 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, 1997 and 1996 approximates cost. The investments are carried at the lower of cost or market and do not include \$3,690 and \$4,074, 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 \$12,899 and \$10,034 at December 31, 1997 and 1996, respectively.

NOTE B - RESTRICTED ASSETS

Section 18 of the resolution authorizing the issuance of \$295,000 Utility Revenue Bonds, of the Town of Abita Springs dated March 24, 1996, provided for certain restrictions on the assets of the Enterprise Fund. The following reserve requirements have been met for the year ended December 31, 1997.

1. Revenue Bond Sinking Fund

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

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1997 and 1996

NOTE B - RESTRICTED ASSETS - (Continued)

2. Revenue Bond Reserve Fund

The resolution required 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 payment in any year of the bond issue. The sole purpose of this fund is to pay the principal and interest on the bonds payable from the Revenue Bond Sinking Fund which would otherwise be in default.

3. Depreciation and Contingency Fund

The resolution required 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 \$116 a month are to be deposited with the regularly designated fiscal agent of the Town until said bonds are paid off.

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 - DUE TO OTHER FUNDS

Due from other funds consist of the following as of December 31:

	<u>1997</u>	<u>1996</u>
Due from General Fund	<u>\$ 2,000</u>	<u>\$ 5,556</u>

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1997 and 1996

NOTE D - FIXED ASSETS

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

	<u>1997</u>	<u>1996</u>
Utility systems - initial costs and improvements: 1960 through 1978	\$ 370,169	\$ 278,353
Sewer system: 1978	694,784	684,284
Extensions and additions: 1979 to 1990	49,689	48,605
Water system improvements: 1990 and beyond	459,804	629,804
Extensions and additions: 1990 and beyond	749,164	749,164
Computer equipment and software	<u>8,951</u>	<u>8,951</u>
	2,432,251	2,432,251
Less: Accumulated Depreciation	<u>838,482</u>	<u>781,267</u>
Balance at end of year	<u>\$1,593,769</u>	<u>\$1,650,984</u>

NOTE E - LONG-TERM DEBT

The following is a summary of bond transactions of the Town for the year ended December 31, 1997:

	<u>Revenue</u> <u>Bonds</u>
Bonds Payable at 01/01/97	\$ 380,965
Bonds Issued	-
Bonds Retired	<u>5,384</u>
Bonds Payable at 12/31/97	<u>\$ 375,581</u>

Bonds payable at December 31, is comprised of the following individual bond:

Revenue Bonds:

\$375,000 Thirty Bonds dated 03/24/90;
due in annual installments of \$26,436
including interest at 6.0%; secured by
revenues of the Enterprise System.

	\$ 375,581	\$ 380,965
Less current maturities	<u>5,995</u>	<u>4,882</u>
Long-term debt	<u>\$ 369,586</u>	<u>\$ 376,083</u>

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1997 and 1996

NOTE F - ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT

The annual requirements to amortize Revenue Bonds payable are as follows as of December 31, 1997:

Year Ending December 31,	Revenue Bonds
1998	\$ 5,000
1999	5,000
2000	6,328
2001	6,875
2002	7,048
Thereafter	<u>143,856</u>
	<u>\$ 175,007</u>

NOTE G - 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 retirement

Town of Abita Springs, Louisiana

ENHANCEMENT FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1997 and 1996

NOTE G - PENSION PLANS

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS) - Continued

may elect to participate in the *deferred* retirement option plan (DROP) for up to three years and defer the receipt of benefits. Upon *cessation* 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 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, 7907 Office Park Boulevard, Baton Rouge, Louisiana 70807 or by calling (504) 523-4833.

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 valuation 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, 1993, 1996, and 1995, were \$8,679, \$9,435, and \$9,734, respectively, equal to the required contributions for each year.

NOTE H - OTHER COMMITMENTS

In September, 1992, the Town contracted for residential garbage disposal with a different independent third party. The new contract requires the Town to remit a total of \$9.48 for each residential customer, on a monthly basis. This rate provides for the collection of certain residential recyclable materials on a weekly basis, in addition to regular service.

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 1997 and 1996

NOTE 1 - 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 2 - 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>1997</u>	<u>1996</u>
Cash and cash equivalents per balance sheet:		
Cash on hand and in bank	\$ 125	\$ 125
Restricted:		
Money deposits	<u>14,478</u>	<u>20,165</u>
Total	<u>\$ 14,603</u>	<u>\$ 20,290</u>
Cash and cash equivalents per statement of cash flows	<u>\$ 14,603</u>	<u>\$ 20,290</u>

NOTE 3 - SUBSEQUENT EVENT

The Town is planning to issue \$600,000 of revenue bonds and \$180,000 of certificates of indebtedness to construct a new sewer plant.

SUPPLEMENTARY INFORMATION

Town of Abita Springs, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Years Ended December 31, 1997 and 1996

	Federal CFDA Number	Outstanding Balance <u>1997</u>	Outstanding Balance <u>1996</u>
<u>Federal Grants</u>			
MAJOR PROGRAM			
U.S. Department of Agriculture			
Rural and Economic Development Office			
Loans for water and waste disposal systems for rural communities	16.360	<u>\$69,740</u>	<u>\$76,082</u>

The Schedule of Expenditures of Federal Awards presents the federal loan balances using generally accepted accounting principles. The loan balance is the principal outstanding at December 31, 1997.

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

SCHEDULES OF OPERATING EXPENSES

For the Years Ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Gas System		
Repairs and maintenance	\$ 24,938	\$ 27,189
Salaries	24,392	-
Engineering	<u>1,838</u>	<u>2,578</u>
Total Gas System	\$ 40,759	\$ 30,167
Garbage Collection		
Garbage pick-up	\$93,583	\$ 86,843
Trash pickup	<u>2,660</u>	<u>2,538</u>
Total Garbage Collection	\$96,243	\$ 89,381
Sewerage System		
Repairs and maintenance	\$ 79,412	\$110,623
Salaries	13,304	-
Materials and supplies	4,785	4,068
Utilities	<u>11,518</u>	<u>8,682</u>
Total Sewerage System	\$109,019	\$123,373
Water System		
Repairs and maintenance	\$ 63,039	\$ 52,521
Salaries	13,921	-
Utilities	<u>5,358</u>	<u>6,574</u>
Total Water System	\$ 82,318	\$ 59,095
Administrative and General		
Salaries	\$ -	\$ 38,638
Employee insurance and retirement	8,321	6,717
Legal and accounting	14,721	13,325
Insurance expense	8,927	7,275
Bad debts	2,864	2,311
Billing expense, primarily postage	2,428	2,111
Office supplies	5,335	241
Miscellaneous	1,306	1,894
Travel and meetings	<u>2,640</u>	<u>-</u>
Total Administrative and General	\$ 46,362	\$ 73,744

Town of Abita Springs, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

COMBINED SCHEDULE OF INVESTMENTS

December 31, 1997

	<u>Yield</u>	<u>Maturity Date</u>	<u>Amount</u>
Utility Fund			
Meter Deposit Account			
United States Treasury Bill			
First National Bank of Commerce	5.25%	1/22/98	\$ 27,213
Operations			
United States Treasury Bill			
First National Bank of Commerce	5.25%	1/22/98	53,852
Revenue Bond Reserve			
United States Treasury Bill			
First National Bank of Commerce	5.25%	1/22/98	48,446
Capital Additions and Contingencies			
United States Treasury Bill			
First National Bank of Commerce	5.25%	1/22/98	<u>22,036</u>
			<u>\$151,547</u>

Town of Abita Springs- Louisiana

SUPPLEMENTAL INFORMATION

December 31, 1997

Utility Rate Schedule as of December 31, 1997

Water charges:

- Residential - \$5.95 per month for the first 2,000 gallons
.90 per month per thousand for up to 8,000 gallons
.90 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

Street charges:

- Residential - \$12.00
Commercial - \$15.00
Senior citizens - \$ 2.00

Gas rate schedule:

Charges are based on usage schedule ranging from \$4.95/cubic feet down to \$ 7.40/cubic feet depending on the volume used. The minimum charge is \$4.95 per month.

Town of Abita Springs, Louisiana

SUPPLEMENTAL INFORMATION

December 31, 1997

Continuing Board

<u>Board of Aldermen</u>	<u>Term of Office</u>	<u>Compensation</u>
Clay Nixey, Mayor Pro-Tem P. O. Box 461 Abita Springs, LA 70420 504-892-0711	December 31, 1998	\$ 2,900
R. P. Granger P. O. Box 461 Abita Springs, LA 70420 504-892-0711	December 31, 1998	\$ 2,900
Ruth Terry-Sigco P. O. Box 461 Abita Springs, LA 70420 504-892-0711	December 31, 1998	\$ 2,900
Loula Fitzmorris P. O. Box 461 Abita Springs, LA 70420 504-892-0711	December 31, 1998	\$ 2,900
Calvin Cognovich P. O. Box 461 Abita Springs, LA 70420 504-892-0711	December 31, 1998	\$ 2,900

Town of Abita Springs, Louisiana

SUPPLEMENTAL INFORMATION

December 31, 1997

Schedule of Insurance Coverage

<u>Coverage</u>	<u>Amount of Coverage</u>
Property and contents (aggregate)	\$ 440,000
Fidelity	
Mayor	\$ 50,000
Mayor pro tem	50,000
Town clerk	50,000
Utility clerk	50,000
Liability	
General	\$1,000,000
Auto	1,000,000
Error and omissions	1,000,000
Law enforcement	1,000,000

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Certified Public Accountants

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James C. Smith, CPA
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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 Aldermen
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, 1997 and 1996 and have issued our report thereon dated March 6, 1998. 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 of 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, Huvall & Associates, L.L.C.

March 6, 1998

Smith, Huvall & Associates, L.L.C.

AN UNLIMITED LIABILITY COMPANY

Georgian Public Accountants

P.O. Box 1802

Chattanooga, Louisiana 70444-1802

David E. Smith, CPA
Paul D. Huvall, CPA

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(504) 833-8842 - Audit

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

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

We have audited the compliance of the Enterprise Fund of the Town of Abita Springs¹ with the types of compliance requirements described in the *U.S. Code of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1997 and 1998. The Enterprise Fund of the Town of Abita Springs' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Enterprise Fund of the Town of Abita Springs' management. Our responsibility is to express an opinion on the Enterprise Fund of the Town of Abita Springs' compliance based on our audit.

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

In our opinion, the Enterprise Fund of the Town of Abita Springs¹ complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1997 and 1998.

The management of the Enterprise Fund of the Town of Abita Springs¹ is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Enterprise Fund of the Town of Abita Springs' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information of management, the Rural and Economic Development office of the U.S. Department of Agriculture and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Smith, Havel & Associates, L.L.C.

March 8, 1998

TOWN OF ABITA SPRINGS
ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND - UTILITY SYSTEMS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Years Ended December 31, 1997 and 1996

Section 1

Financial Statements

1. Type of auditor's report	Unqualified
2. Internal control over financial reporting	
a. Material weaknesses identified	None
b. Reportable conditions identified not considered to be material weaknesses	None Reported
c. Noncompliance material to the financial statements noted.	No

Federal Awards

1. Internal control over major programs	
a. Material weaknesses identified	None
b. Reportable conditions identified not considered to be material weaknesses	None Reported
2. Type of auditor's report issued on compliance for major program	Unqualified
3. Audit findings disclosed that are required in accordance with OMB A-133, Section 50a	None
4. Identification of major program	
10.350	Loans for water and waste disposal systems for rural communities
5. Dollar threshold used to distinguish between Type A and B programs	\$100,000
6. Auditor qualified as a low-risk auditor under OMB A-133 Section 500	Yes

Section 2

Financial Statements Findings

(None reported)

Section 3

Federal Awards Findings and Questioned Costs

(None reported)