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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
WITH SUPPLEMENTAL INFORMATION

TOWN OF MADISONVILLE, LOUISIANA

June 30, 1998 and 1997

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Release Date ~~FEB 4 1999~~

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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, 1998, and for the two years then ended, 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 audit.

We conducted our audit 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and
- the additional stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

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

The Town of Madisonville has omitted such disclosures. We do not provide assurance that the Town of Madisonville is or will be year 2000 ready, that the Town of Madisonville's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Town of Madisonville does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general-purpose financial statements referred above present fairly, in all material respects, the financial position of the Town of Madisonville, as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types for the two years ended in conformity with generally accepted accounting principles.

Our audit was made 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 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 presented in all material respects in relation to the general purpose financial statements of each taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated December 11, 1998, on our consideration of the Town of Madisonville's internal control and on its compliance with laws, regulations, contracts and grants.

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

December 11, 1998

Town of Madisonville, Louisiana

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1998

	Governmental Fund Types		Proprietary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue		General	General Long-term Debt	
ASSETS						
Cash	\$ 111,866	\$ 9,791	\$ 100	\$	\$	\$ 121,757
Certificates of deposit			19,935			19,935
Investments	25,527	280,000	75,832			381,359
Accounts receivable, net of allowance for doubtful accounts of \$5,000			39,544			39,544
Taxes receivable	17,870	11,565				29,435
Other receivable	7,625					7,625
Due from other funds	196,219	67	60,480			256,766
Prepaid expenses			3,493			3,493
Accrued interest receivable			1,569			1,569
Restricted assets:						
Revenue Bond Sinking Fund and Reserve Fund						
Cash			70,368			70,368
Revenue Bond Contingency Fund						
Certificate of deposit			12,000			12,000
Meter Deposits						
Investments			27,241			27,241
Utility Property, Plant and Equipment, net of accumulated depreciation			1,008,704			1,008,704
General fixed assets				1,172,144		1,172,144
Amount to be provided for retirement of general long-term debt					95,000	95,000
Total assets	\$ 359,107	\$ 301,423	\$ 1,319,266	\$ 1,172,144	\$ 95,000	\$ 3,246,940

The accompanying notes are an integral part of this statement.

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1998

	Governmental Fund Types		Special Revenue	Proprietary Fund Type	Account Groups			Totals (Memorandum Only)
	General	Special Revenue			Enterprise	General Assets	Long-term Debt	
LIABILITIES AND FUND EQUITY								
LIABILITIES								
Accounts payable	\$ 5,941	\$ -	\$ 23,336	\$ -	\$ -	\$ -	\$ 29,277	
Accrued expenses	9,560	-	196,219	-	-	-	9,560	
Due to other funds	60,547	-	-	-	-	-	256,766	
Payable from restricted assets:								
Interest payable on revenue bonds			385				385	
Revenue bonds payable			22,000				22,000	
Customer meter deposits			26,191				26,191	
Bonds payable from unrestricted assets			22,000			95,000	22,000	
Capital lease obligation			-			-	95,000	
Total liabilities	76,048	-	290,131	-	-	95,000	461,179	
FUND EQUITY								
Contributed capital			1,136,791				1,136,791	
Investment in General Fixed Assets					1,172,144		1,172,144	
Retained earnings (deficit):								
Reserve for Revenue Bond Sinking and Reserve Funds			47,983				47,983	
Reserve for Revenue Bond Contingency Fund			12,000				12,000	
Reserve for Utility Funding Unreserved			23,031				23,031	
Fund balance - reserved for recreation	50,626		(190,670)				(190,670)	
Fund balance - unreserved	232,433	301,423					50,626	
Total fund equity	283,059	301,423	1,029,135	-	1,172,144	-	2,785,761	
Total liabilities and fund equity	\$ 359,107	\$ 301,423	\$ 1,319,266	\$ -	\$ 1,172,144	\$ 95,000	\$ 3,246,940	

The accompanying notes are an integral part of this statement.

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, 1998

	General Fund		Variance- Favorable (Unfavorable)	Special Revenue Fund		Variance- Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
REVENUES						
Sales tax	\$ 135,000	\$ 141,237	\$ 6,237	\$ 135,000	\$ 141,236	\$ 6,236
Ad valorem taxes	37,500	40,586	3,086			
Other taxes	18,000	26,049	8,049			
Licenses and permits	50,000	70,142	20,142			
Franchise fees	25,000	27,877	2,877			
Fines and fees	10,000	5,725	(4,275)			
Boat trailer permits	8,000	10,963	2,963			
Rental Income	4,000	9,400	5,400			
Donated funds	-	1,548	1,548			
Other	30,000	10,243	(19,757)			
Total revenues	<u>317,500</u>	<u>343,770</u>	<u>26,270</u>	<u>135,000</u>	<u>141,236</u>	<u>6,236</u>
EXPENDITURES						
Personnel	110,000	104,973	5,027			
Payroll taxes	11,000	9,109	1,891			
Accounting fees	4,000	3,852	148			
Alderman	9,600	9,520	80			
Auto and truck	6,500	5,232	1,268			
Insurance	21,750	23,986	(2,236)			
Legal fees	4,200	4,200	-			
Pension	94,178	96,228	(2,050)			
Police expense	29,000	27,713	1,287			
Repairs and maintenance	18,000	18,228	(228)	60,000	17,425	42,575
Other expenses	55,000	67,026	(12,026)			
Capital lease payments	28,336	28,336	-			
Capital outlays	30,000	16,111	13,889	20,000	17,425	20,000
Total expenditures	<u>421,564</u>	<u>414,514</u>	<u>7,050</u>	<u>80,000</u>	<u>17,425</u>	<u>62,575</u>
Excess of revenues over (under) expenditures	<u>(104,064)</u>	<u>(70,744)</u>	<u>33,320</u>	<u>55,000</u>	<u>123,811</u>	<u>68,811</u>
Other financing sources (uses)						
Operating transfers in	35,000	35,000	-			
Operating transfers out					(35,000)	(35,000)
Total other financing sources (uses)	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>(35,000)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ (69,064)</u>	<u>(35,744)</u>	<u>\$ 33,320</u>	<u>\$ 55,000</u>	<u>88,811</u>	<u>\$ 33,811</u>
Fund balance, beginning		<u>318,803</u>			<u>212,612</u>	
Fund balance, ending		<u>\$ 283,059</u>			<u>\$ 301,423</u>	

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, 1997

	General Fund		Variance- Favorable (Unfavorable)	Special Revenue Fund		Variance- Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
REVENUES						
Sales tax	\$ 135,000	\$ 128,669	\$ (6,331)	\$ 135,000	\$ 128,669	\$ (6,331)
Ad valorem taxes	31,000	36,609	5,609			
Other taxes	26,200	29,524	3,324			
Licenses and permits	47,700	63,789	16,089			
Franchise fees	21,900	23,724	1,824			
Fines and fees	10,000	9,695	(305)			
Boat trailer permits	6,500	10,901	4,401			
Rental Income	5,400	9,870	4,470			
Donated funds	600	30,752	30,152			
Other	5,600	13,492	7,892			
Total revenues	289,900	357,025	67,125	135,000	128,669	(6,331)
EXPENDITURES						
Personnel	110,000	101,256	8,744			
Payroll taxes	11,000	7,016	3,984			
Accounting fees	3,000	7,191	(4,191)		2,311	(2,311)
Alderman	9,600	9,430	170			
Audit fees	9,700	9,700	9,700			
Auto and truck	6,500	5,528	972			
Insurance	15,100	60,610	(45,510)			
Legal fees	3,600	4,150	(550)			
Police expense	17,200	28,980	(11,780)			
Repairs and maintenance	9,000	8,612	388	100,000	61,586	38,414
Other expenses	40,575	49,779	(9,204)			
Capital lease payments		10,000	(10,000)			
Capital outlays	40,000	26,994	13,006	35,000		35,000
Total expenditures	275,275	319,546	(44,271)	135,000	63,897	71,103
Excess of revenues over expenditures	14,625	37,479	22,854	-	64,772	64,772
Other financing sources (uses)						
Operating transfers in	35,000	55,789	20,789			
Operating transfers out					(55,789)	(55,789)
Total other financing sources (uses)	35,000	55,789	20,789	-	(55,789)	(55,789)
Excess of revenues and other financing sources over expenditures and other uses	\$ 49,625	\$ 93,268	\$ 43,643	\$ -	\$ 8,983	\$ 8,983
Fund balance, beginning		225,535			203,629	
Fund balance, ending		\$ 318,803			\$ 212,612	

Town of Madisonville, Louisiana

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

For the Years ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Operating revenues:		
Gas sales	\$ 445,000	\$ 433,045
Garbage collection fees	47,605	46,589
Sewer service charges	34,852	33,624
Water sales	35,289	34,125
Installation fees	15,074	6,150
Miscellaneous fees	<u>15,543</u>	<u>17,063</u>
Total operating revenues	<u>593,363</u>	<u>570,596</u>
Operating expenses:		
Gas purchases	311,331	313,560
Personnel	105,979	100,743
Payroll taxes	7,450	7,435
Administrative and general	19,829	24,711
Authority fees	7,258	6,444
Auto and truck	2,973	2,712
Bad debts	4,000	-
Depreciation	44,642	41,566
Garbage disposal fees	44,944	44,421
Insurance	22,503	7,144
Repairs and maintenance	47,259	57,560
Utilities	<u>13,906</u>	<u>10,242</u>
Total operating expenses	<u>632,074</u>	<u>616,538</u>
Operating loss	(38,711)	(45,942)
Non-operating revenues (expenses)		
Interest income	7,317	9,523
Interest expense	<u>(1,549)</u>	<u>(2,625)</u>
Total non-operating revenues, net	<u>5,768</u>	<u>6,898</u>
Net loss	(32,943)	(39,044)
Retained earnings, beginning of year	<u>(74,713)</u>	<u>(35,669)</u>
Retained earnings, end of year	<u>\$ (107,656)</u>	<u>\$ (74,713)</u>

The accompanying notes are an integral part of this statement.

Town of Madisonville, Louisiana

ENTERPRISE FUND - UTILITY SYSTEMS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Years ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Operating loss	\$ (38,711)	(45,942)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	44,642	41,566
Decrease(increase) in accounts receivable	(3,776)	8,073
Increase in accounts payable	<u>(2,632)</u>	<u>(4,299)</u>
Total adjustments	<u>38,234</u>	<u>45,340</u>
Net cash used by operating activities	<u>(477)</u>	<u>(602)</u>
Cash flows from non-capital financing activities:		
Increase(decrease) in customer meter deposits	<u>(1,501)</u>	<u>1,462</u>
Cash flows from financing activities:		
Increase in due from other funds	(1,086)	(59,393)
Increase in due to other funds	70,794	125,425
Payments of revenue bonds	(21,000)	(20,000)
Interest paid	<u>(1,907)</u>	<u>(2,625)</u>
Net cash provided by financing activities	<u>46,801</u>	<u>43,407</u>
Cash flows from investing activities:		
Receipts of interest	7,471	9,381
Purchases of investments	(103,073)	-
Proceeds from (investments in) certificates of deposit	25,000	(1,808)
Investment in plant and equipment	<u>(102,249)</u>	<u>(122,590)</u>
Net cash used by investing activities	<u>(172,851)</u>	<u>(115,017)</u>
Net decrease in cash and cash equivalents	(128,028)	(70,750)
Cash and cash equivalents at beginning of year	<u>198,496</u>	<u>269,246</u>
Cash and cash equivalents at end of year	<u>\$ 70,468</u>	<u>\$ 198,496</u>

The accompanying notes are an integral part of this statement.

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 1998

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 generally accepted accounting principles 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.

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Fund accounting - continued

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.

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.

General Long-Term Debt Account Group - This is not a fund but rather an account group that is used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported 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. Under this method, revenues are recognized when they are earned and expenses are recognized when incurred.

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

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 Alderman, 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 Alderman.

5. Cash and Cash Equivalents

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.

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, 1998, the allowance in the Natural Gas Fund is \$5,000.

7. Restricted Assets

Enterprise Funds, based on certain bond covenants, are required to establish and maintain prescribed reserves (consisting of cash and temporary investments) that can be used only to service outstanding debt and pay for certain unusual or extraordinary expenses of the system.

The Town established a meter deposit fund for the gas and water utility funds to help maintain customer meter deposits on hand as well as help control customer meter deposits received.

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. 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.

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. 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

9. 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.

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Long-Term Debt

Long-term obligations of the Town are reported in the General Long-Term Debt Account Group. Long-term liabilities for gas revenue bonds are reported in the Gas Fund.

11. Reserve for Utility Funding

The \$23,031 reflected on the accompanying combined balance sheet represents payments received for lots sold in a local subdivision development. The Town has reserved these funds to pay any costs for improvements of the sewer system due to the increase in usage caused by the residents of the subdivision.

12. 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. Upon termination of service, employees are paid for unused vacation leave. The Town does not have a policy on sick leave. There was no material accumulated vacation leave as of June 30, 1998 for which the Town would be held liable.

13. 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, 1998 and June 30, 1997, the Town levied taxes of 11.52 mills that were dedicated to the General Fund.

14. 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.

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. Total Columns

The Combined Financial Statements include total columns that are described as "memorandum only". Data in these columns do 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 CERTIFICATES OF DEPOSIT

The following is a summary of cash and cash equivalents (book balances) at June 30, 1998:

Demand deposits	\$121,757
Time deposits	<u>31,935</u>
Total	<u>\$153,692</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all 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, 1998, the Town has \$158,232 in deposits (collected bank balances). These deposits are secured from risk by \$133,660 of federal deposit insurance and \$24,572 of pledged securities held by the custodial bank in the name of the fiscal agent bank, GASB category 3.

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.

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

NOTE C - TAXES RECEIVABLE

As of June 30, 1998, taxes receivable consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Sales	\$ 11,565	\$ 11,565	\$ 23,130
Tobacco	891	-	891
Beer	932	-	932
Video Poker	<u>4,482</u>	<u>-</u>	<u>4,482</u>
	<u>\$ 17,870</u>	<u>\$ 11,565</u>	<u>\$ 29,435</u>

NOTE D - DUE FROM/DUE TO OTHER FUNDS

Individual balances due from/to other funds at June 30, 1998 are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General	\$ 196,219	\$ 60,547
Special Revenue	67	-
Enterprise		
Gas	-	95,617
Water	33,664	-
Sewer	-	-
Garbage	<u>26,816</u>	<u>100,602</u>
	<u>\$ 256,766</u>	<u>\$ 256,766</u>

NOTE E - RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Gas Utility Fund

The Gas Utility Refunding and Revenue Bond agreement dated October 1, 1964 contains covenants requiring among other conditions, the creation and maintenance of the following funds:

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

NOTE E - RESTRICTED ASSETS - PROPRIETARY FUND TYPE - Continued

1. Revenue Bond Sinking Fund

The Town is required to make monthly deposits into a revenue bond sinking fund an amount which is equal to one-twelfth (1/12) of the next annual principal payment and one-sixth (1/6) of the next semiannual interest payment. The sinking fund balance at June 30, 1998 is \$ 26,790.

2. Revenue Bond Reserve Fund

Monthly deposits in a reserve fund of 20% of the amount necessary to provide for payment of the principal and interest accruing during the next fiscal year are required, until there is accumulated in this fund the sum of \$25,000 to be used solely for the purpose of paying principal and interest on the revenue bonds which would otherwise be in default. The reserve fund balance at June 30, 1998 is \$43,578.

3. Revenue Bond Contingency Fund

Monthly deposits in a contingency fund of all monies remaining after payment of operating expenses and deposits to the retirement reserve fund are required through August 15, 1965; thereafter, monthly deposits of \$150 are required, providing such funds are available, until the balance in the fund is \$12,000. These funds... "may be used for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions of the public utility, and paying the costs of the improvements thereto which will either enhance its revenue producing capacity or provide a higher degree of service," as well as pay principal and interest on the bonds in the event there is insufficient funds in the retirement reserve fund. However, these funds cannot be depleted below \$2,500 except for unusual or extraordinary maintenance or repairs. The contingency fund balance at June 30, 1998 is \$12,000.

NOTE F - 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, 1998:

	Balance <u>6/30/96</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6/30/97</u>
Land	\$ 682,754	\$ -	\$ -	\$ 682,754
Recreational facilities	135,426	-	-	135,426
Buildings	193,011	3,020	-	196,031
Transportation equipment	76,804	18,789	-	95,593
Furniture and equipment	<u>22,617</u>	<u>-</u>	<u>-</u>	<u>22,617</u>
	<u>\$1,110,612</u>	<u>\$ 21,809</u>	<u>\$ -</u>	<u>\$1,132,421</u>

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

NOTE F - PROPERTY, PLANT AND EQUIPMENT - Continued

	Balance <u>6/30/97</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6/30/98</u>
Land	\$ 682,754	\$ -	\$ -	\$ 682,754
Recreational facilities	135,426	-	-	135,426
Buildings	196,031	-	-	196,031
Transportation equipment	95,593	52,995	13,272	135,316
Furniture and equipment	22,617	-	-	22,617
	<u>\$1,132,421</u>	<u>\$ 52,995</u>	<u>\$ 13,272</u>	<u>\$1,172,144</u>

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

	<u>Enterprise Funds</u>			
	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Sewerage treatment plant	\$ -	\$ -	\$ 160,190	\$ 160,190
Sewerage collection system	-	-	829,408	829,408
Distribution system	561,152	223,955	-	785,107
Transportation equipment	14,655	-	-	14,655
Furniture and equipment	10,287	5,375	-	15,662
Land	<u>23,373</u>	<u>15,513</u>	<u>37,019</u>	<u>75,905</u>
Total property, plant and equipment at cost	609,467	244,843	1,026,617	1,880,927
Less: Accumulated depreciation	<u>(234,214)</u>	<u>(116,824)</u>	<u>(521,185)</u>	<u>(872,223)</u>
Total plant, property and equipment, net	<u>\$ 375,253</u>	<u>\$ 128,019</u>	<u>\$ 505,432</u>	<u>\$1,008,704</u>

NOTE G - LONG-TERM DEBT

The following is a summary of bond transactions of the Town of Madisonville for the years ended June 30, 1998:

	<u>Gas Revenue Bonds</u>
Bonds payable, July 1, 1996	\$ 85,000
Less: Bonds retired	<u>(20,000)</u>
Bonds payable, June 30, 1997	65,000
Less: Bonds retired	<u>(21,000)</u>
Bonds payable, June 30, 1998	<u>\$ 44,000</u>

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

NOTE G - LONG-TERM DEBT - Continued

Bonds payable at June 30, 1998 are comprised of the following individual issues:

Revenue Bonds:

\$325,000 Gas Utility Bonds dated 10/1/64; principal due in annual installments of \$1,000 - \$22,000 through October 1, 1999; Interest at 3.8% - 4.25% payable in semi-annual installments, secured by a lien and pledge of net revenues of the gas system. \$ 44,000

The annual requirements to amortize all debts outstanding as of June 30, 1998, including interest payments of 1,540, are as follows:

Year Ending June 30	Gas Revenue Bonds
1999	\$ 23,155
2000	<u>22,385</u>
	<u>\$ 45,540</u>

NOTE H - CAPITAL LEASE OBLIGATION

The Town is obligated under a certain lease accounted for as a capital lease. The leased asset and related obligation is accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group respectively. The General Fund is responsible for servicing the lease payments. Assets under capital leases totaled \$140,000 at June 30, 1998. The Town has the option of purchasing the land for \$115,000 interest free after two years from the inception of the lease. After two years, 8% interest will be accrued as of the inception date. At the end of the fifth year if the Town does not take advantage of the purchase option and continues to make lease payments the Town will owe \$75,000 for the remaining interest in the land. The following is a schedule of future payments under the agreement:

	<u>Lease Payment</u>	<u>Interest</u>	<u>Purchase</u>
March 1, 1999	\$ 10,000	\$ 7,600	or \$ 95,000
March 1, 2000	10,000	6,800	or 85,000
March 1, 2001	-	-	75,000

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

NOTE I - INVESTMENTS

Investments of \$408,600 which is stated at cost which approximates market as of June 30, 1998 are in the Louisiana Asset Management Pool Inc. (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.165, the investment in LAMP is not categorized in the three risk categories provided by GASB because the investment is in a pool of funds and thereby 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, and is governed by a board of directors comprised of representatives from various local governments and state wide professional organizations. Only local governments 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. 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. 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.

NOTE J - 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
Restricted:	
Revenue bond sinking and reserve fund	<u>70,368</u>
Cash and cash equivalents per statement of cash flows	<u>\$ 70,468</u>

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

NOTE K - FUND DEFICITS

The Sewerage Fund has a deficit in unreserved retained earnings at June 30, 1998 in the amount of \$535,343.

NOTE L - EXPENDITURES - ACTUAL AND BUDGET

The following individual fund had actual expenditures over budgeted expenditures for the year ended June, 30, 1997:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$275,275	\$ 319,546	\$ (44,271)

NOTE M - 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 N - PENSION PLAN

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 plans administered by a separate boards 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 A.

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 A, 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 per cent 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.

Town of Madisonville, Louisiana

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 1998

NOTE N - PENSION PLAN - Continued

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 (504) 925-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the Town of Madisonville is required to contribute at an actuarially determined rate. The current rate is 5.75 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 of Madisonville required contributions to the System under Plan A for the years ending June 30, 1998 was \$5,354 which was equal to the required contributions for each year.

The pension expense of \$96,228 reported in the General Fund for the year ended June 30, 1998 includes a one-time payment to the Municipal Employee Retirement System of \$90,874 to fund both the employee and employer portions for service from 1977 to August 31, 1997 as calculated by actuary.

NOTE O - CONTINGENCY

The Town has been notified by the Louisiana Department of Environmental Quality of problems within the sewer system related to water draining into the system at lift stations. Costs of correcting problem are estimated to be \$70,000.

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.

ENTERPRISE FUNDS - UTILITY SYSTEMS

COMBINING BALANCE SHEET

June 30, 1998

ASSETS

Current Assets:

	Gas Fund	Water Fund	Sewerage Fund	Garbage Fund	Total
Cash	\$ 50	\$ 50			\$ 100
Certificates of Deposits	19,935				19,935
Investments	38,145		23,031	14,656	75,832
Accounts receivable, net of allowance for doubtful accounts of \$5,000	27,548	3,594	3,526	4,876	39,544
Due from other funds		33,664		26,816	60,480
Prepaid insurance	3,493				3,493
Accrued interest receivable	1,569				1,569

Restricted assets:

Revenue Bond Sinking Fund and Reserve Fund					
Cash	70,368				70,368
Revenue Bond Contingency Fund					
Certificate of Deposits	12,000				12,000
Meter Deposits					
Investments	27,241				27,241
Utility Property, Plant and Equipment, net of accumulated depreciation	<u>375,253</u>	<u>128,018</u>	<u>505,433</u>		<u>1,008,704</u>
Total assets	<u>\$ 575,602</u>	<u>\$ 165,326</u>	<u>\$ 531,990</u>	<u>\$ 46,348</u>	<u>\$ 1,319,266</u>

Town of Madisonville, Louisiana

ENTERPRISE FUNDS - UTILITY SYSTEMS

COMBINING BALANCE SHEET

June 30, 1998

	Gas Fund	Water Fund	Sewerage Fund	Garbage Fund	Total
LIABILITIES & FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 13,890	\$	\$ 1,980	\$ 7,466	\$ 23,336
Due to other funds	95,617		100,602		196,219
Payable from restricted assets:					
Interest payable on revenue bonds	385				385
Revenue bonds payable	22,000				22,000
Customer meter deposits	20,588	5,603			26,191
Bonds payable from unrestricted assets	22,000				22,000
Total liabilities	<u>174,480</u>	<u>5,603</u>	<u>102,582</u>	<u>7,466</u>	<u>290,131</u>
FUND EQUITY:					
Contributed capital		172,040	964,751		1,136,791
Retained earnings (deficit):					
Unreserved	341,139	(12,317)	(558,374)	38,882	(190,670)
Reserve for Revenue Bond Sinking and Reserve Funds	47,983				47,983
Reserve for Revenue Bond Contingency Fund	12,000				12,000
Reserve for Utility Funding			23,031		23,031
Total fund equity	<u>401,122</u>	<u>159,723</u>	<u>429,408</u>	<u>38,882</u>	<u>1,029,135</u>
Total liabilities and fund equity	<u>\$ 575,602</u>	<u>\$ 165,326</u>	<u>\$ 531,990</u>	<u>\$ 46,348</u>	<u>\$ 1,319,266</u>

ENTERPRISE FUNDS - UTILITY SYSTEMS

COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended June 30, 1998

	Gas Fund	Water Fund	Sewerage Fund	Garbage Fund	Total
Operating revenues					
Gas sales	\$ 445,000	\$	\$	\$	\$ 445,000
Garbage collection fees				47,605	47,605
Sewer service charges			34,852		34,852
Water sales		35,289			35,289
Gas connect fees	15,074				15,074
Miscellaneous fees	15,043	50	450		15,543
Total operating revenues	<u>475,117</u>	<u>35,339</u>	<u>35,302</u>	<u>47,605</u>	<u>593,363</u>
Operating expenses					
Gas purchased	311,331				311,331
Personnel	71,006	16,957	18,016		105,979
Payroll tax	4,991	1,220	1,239		7,450
Administrative and general	10,073	4,418	5,338		19,829
Authority fees	7,258				7,258
Auto and truck	2,973				2,973
Bad debts	4,000				4,000
Depreciation	14,375	5,976	24,291		44,642
Garbage collection				44,944	44,944
Insurance	15,077	3,601	3,825		22,503
Repairs and maintenance	11,639	9,721	25,899		47,259
Utilities	2,506	2,389	8,101	910	13,906
Total operating expenses	<u>455,229</u>	<u>44,282</u>	<u>86,709</u>	<u>45,854</u>	<u>632,074</u>
Operating income (loss)	<u>19,888</u>	<u>(8,943)</u>	<u>(51,407)</u>	<u>1,751</u>	<u>(38,711)</u>
Non-operating revenues (expenses)					
Interest income	6,627		271	419	7,317
Interest expense	(1,549)				(1,549)
Total non-operating revenues (expenses)	<u>5,078</u>	<u>-</u>	<u>271</u>	<u>419</u>	<u>5,768</u>
Net income (loss)	24,966	(8,943)	(51,136)	2,170	(32,943)
Retained earnings (deficit) beginning	376,156	(3,374)	(484,207)	36,712	(74,713)
Retained earnings (deficit) ending	<u>\$ 401,122</u>	<u>\$ (12,317)</u>	<u>\$ (555,343)</u>	<u>\$ 38,882</u>	<u>\$ (107,656)</u>

ENTERPRISE FUNDS - UTILITY SYSTEMS

COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended June 30, 1997

	Gas Fund	Water Fund	Sewerage Fund	Garbage Fund	Total
Operating revenues					
Gas sales	433,045			\$ 46,589	\$ 433,045
Garbage collection fees					46,589
Sewer service charges			33,624		33,624
Water sales		34,125			34,125
Gas connect fees	6,150				6,150
Miscellaneous fees	12,129	50	4,884		17,063
Total operating revenues	<u>451,324</u>	<u>34,175</u>	<u>38,508</u>	<u>46,589</u>	<u>570,596</u>
Operating expenses					
Gas purchased	313,560				313,560
Personnel	67,498	16,119	17,126		100,743
Payroll tax	5,074	1,172	1,189		7,435
Administrative and general	11,957	6,488	4,543	1,723	24,711
Authority fees	6,444				6,444
Auto and truck	2,712				2,712
Depreciation	12,114	5,791	23,661		41,566
Garbage collection				44,421	44,421
Insurance	4,497	2,647			7,144
Repairs and maintenance	23,787	5,722	28,051		57,560
Utilities	2,181		8,061		10,242
Total operating expenses	<u>449,824</u>	<u>37,939</u>	<u>82,631</u>	<u>46,144</u>	<u>616,538</u>
Operating income (loss)	<u>1,500</u>	<u>(3,764)</u>	<u>(44,123)</u>	<u>445</u>	<u>(45,942)</u>
Non-operating revenues (expenses)					
Interest income	8,772		331	420	9,523
Interest expense	(2,625)				(2,625)
Total non-operating revenues (expenses)	<u>6,147</u>	<u>-</u>	<u>331</u>	<u>420</u>	<u>6,898</u>
Net income (loss)	7,647	(3,764)	(43,792)	865	(39,044)
Retained earnings (deficit) beginning	368,509	390	(440,415)	35,847	(35,669)
Retained earnings (deficit) ending	<u>376,156</u>	<u>(3,374)</u>	<u>(484,207)</u>	<u>36,712</u>	<u>(74,713)</u>

The accompanying notes are an integral part of this statement.

ENTERPRISE FUND - UTILITY SYSTEMS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1998

	Gas Fund	Water Fund	Sewerage Fund	Garbage Fund	Total
Cash flows from operating activities:					
Operating income (loss)	\$ 19,888	(8,943)	\$ (51,407)	\$ 1,751	\$ (38,711)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	14,375	5,976	24,291		44,642
(Increase) decrease in accounts receivable	(4,651)	278	293	304	(3,776)
Increase (decrease) in accounts payable	2,523		(1,421)	(3,734)	(2,632)
Total adjustments	12,247	6,254	23,163	(3,430)	38,234
Net cash provided (used) by operating activities	32,135	(2,689)	(28,244)	(1,679)	(477)
Cash flows from non-capital financing activities:					
Increase (decrease) in customer meter deposits	(1,815)	314	-		(1,501)
Cash flows from financing activities:					
Decrease (increase) in due from other funds	(590)	(2,763)		1,677	(1,086)
Increase (decrease) in due to other funds	(21,000)		71,384		70,794
Payments of revenue bonds	(1,907)				(21,000)
Interest paid	(23,497)	(2,763)	71,384		(1,907)
Net cash provided (used) by financing activities	(23,497)	(2,763)	71,384	1,677	46,801
Cash flows from investing activities:					
Receipts of interest	6,781		271	419	7,471
Purchases of investments	(65,386)		(23,031)	(14,656)	(103,073)
Proceeds of certificate of deposits	25,000				25,000
Investment in plant and equipment	(56,606)	(2,500)	(43,143)		(102,249)
Net cash used by investing activities	(90,211)	(2,500)	(65,903)	(14,237)	(172,851)
Net decrease in cash and cash equivalents	(83,388)	(7,638)	(22,763)	(14,239)	(128,028)
Cash and cash equivalents at beginning of year	153,806	7,688	22,763	14,239	198,496
Cash and cash equivalents at end of year	\$ 70,418	\$ 50	\$ -	\$ -	\$ 70,468

Town of Madisonville, Louisiana

ENTERPRISE FUND - UTILITY SYSTEMS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1997

	Gas Fund	Water Fund	Sewerage Fund	Garbage Fund	Total
Cash flows from operating activities:					
Operating income (loss)	1,500	\$ (3,764)	\$ (44,123)	\$ 445	\$ (45,942)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	12,114	5,791	23,661		41,566
Decrease in accounts receivable	4,610	992	1,007	1,464	8,073
Increase (decrease) in accounts payable	(7,982)		3,401	282	(4,299)
Total adjustments	8,742	6,783	28,069	1,746	45,340
Net cash provided (used) by operating activities	10,242	3,019	(16,054)	2,191	(602)
Cash flows from non-capital financing activities:					
Increase in customer meter deposits	1,087	375	-	-	1,462
Cash flows from financing activities:					
Increase in due from other funds		(30,900)		(28,493)	(59,393)
Increase in due to other funds	96,207		29,218		125,425
Payments of revenue bonds	(20,000)				(20,000)
Interest paid	(2,625)				(2,625)
Net cash provided (used) by financing activities	73,582	(30,900)	29,218	(28,493)	43,407
Cash flows from investing activities:					
Receipts of interest	8,630		331	420	9,381
Investment in certificates of deposit	(1,808)				(1,808)
Investment in plant and equipment	(119,997)	(2,593)			(122,590)
Net cash provided (used) by investing activities	(113,175)	(2,593)	331	420	(115,017)
Net increase (decrease) in cash and cash equivalents	(28,264)	(30,099)	13,495	(25,882)	(70,750)
Cash and cash equivalents at beginning of year	182,070	37,787	9,268	40,121	269,246
Cash and cash equivalents at end of year	153,806	\$ 7,688	\$ 22,763	\$ 14,239	\$ 198,496

Town of Madisonville, Louisiana

SCHEDULE OF ELECTED OFFICIAL'S

For the Years Ending June 30, 1998 and June 30, 1997

	<u>Term of Office</u>	<u>Compensation</u>	
		<u>1997</u>	<u>1998</u>
MAYOR:			
Peter L. Gitz P.O. Box 122 Madisonville, LA 70447	1997-2000	\$3,600	\$3,600
ALDERMEN:			
Lawrence P. Ostendorf P.O. Box 37 Madisonville, LA 70447	1997-2000	1,200	1,200
Jean Pelloat P.O. Box 204 Madisonville, LA 70447	1997-2000	1,200	1,200
George D. Tyrney P.O. Box 275 Madisonville, LA 70447	1997-2000	1,200	1,200
Jcary Lange P.O. Box 393 Madisonville, LA 70447	1997-2000	1,200	1,200
Bonnie D. Fruge P.O. Box 1046 Madisonville, LA 70447	1997-2000	1,200	1,200

Term of office all expire on July 1, 2000 for all of above.

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

(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

P.O. Box 1660

Covington, Louisiana 70434-1660

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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*

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

We have audited the financial statements of the Town of Madisonville as of and for the two years ended June 30, 1998 and have issued our report thereon dated December 11, 1998, which was qualified because the Town of Madisonville omitted disclosures with respect to the year 2000 issue. Except as discussed in the preceding sentence, 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 Town of Madisonville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the following paragraph. Our tests also disclosed immaterial instances of noncompliance which we have reported to management orally.

Louisiana Revised Statute 39:1310 requires the Mayor to notify the Board of Aldermen when actual expenditures and other uses exceed budgeted amounts by five percent or more. During the year ended June 30, 1997 actual expenditures for the General Fund of \$319,546 exceeded budgeted expenditures of \$275,275 resulting in an unfavorable variance of \$(44,271) which exceeded five percent.

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

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

This report is intended for the information of management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

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

December 11, 1998