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**FINANCIAL REPORT
OF THE
TOWN OF MAMOU, LOUISIANA
FOR THE YEAR ENDED
DECEMBER 31, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, 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 AUG 04 1999

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Town Council
Town of Mamou
State of Louisiana

I have audited the accompanying general purpose financial statements of the Town of Mamou, Louisiana, as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Mamou, Louisiana's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

The general purpose financial statements referred to above do not include financial activities of the Town of Mamou Health Care Enterprise Fund, which should be included to conform with generally accepted accounting principles. This fund is audited by other auditors and the information is not available at the date of this issuance.

In my opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Mamou, Louisiana, as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated June 28, 1999, on my consideration of Town of Mamou, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Governmental Accounting Standards Board Technical Bulletin 98-1 requires disclosure of certain matters regarding year 2000 and its potential impact upon the computers and other electronic devices that may impact upon the performance of the Town of Mamou, Louisiana. The Town of Mamou has made disclosures intending to comply with that Technical Bulletin in Note P. I have not audited the assertions made in that note, and I provide no assurance as to those assertions. In particular, I provide no assurance that the Town of Mamou, Louisiana is or will be Year 2000 ready, that its Year 2000 efforts will be successful in whole or in part, or that parties with whom the Town of Mamou, Louisiana does business will be Year 2000 ready. I have reviewed the Town of Mamou, Louisiana's commitments including contractual obligations for future expenditures and opine that the accompanying financial statements, taken as a whole, fairly present in all material respects, those commitments without expressing any opinion as to whether those commitments will be sufficient to resolve the year 2000 issue as that issue may impact upon the Town of Mamou, Louisiana.

Michael W. Johnson

Michael W. Johnson
Certified Public Accountant

Eunice, Louisiana
June 28, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS

(Combined Statements-Overview)

TOWN OF MAMOU
COMBINED BALANCE SHEET - ALL FUND TYPES
AND ACCOUNT GROUPS
DECEMBER 31, 1998

| | <u>GOVERNMENTAL FUND TYPES</u> | | | <u>PROPRIETARY FUND TYPE</u> | <u>ACCOUNT GROUPS</u> | |
|--|--------------------------------|------------------------|---------------------|------------------------------|-------------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Enterprise</u> | <u>General Long-Term Debt</u> | <u>General Fixed Assets</u> |
| <u>ASSETS</u> | | | | | | |
| Petty Cash | \$ 940 | \$ | \$ | \$ | \$ | \$ |
| Cash on Deposit | 154,619 | 96,258 | 877 | 115,281 | | |
| Certificates of Deposit | 3,373,689 | | 117,919 | | | |
| Receivables (Net, Where Applicable of Allowances for Uncollectibles) | | | | | | |
| Accrued Interest | | | | 1,375 | | |
| Special Assessments | | 1,364 | | | | |
| Fines | 13,930 | | | | | |
| Accounts (Net of Allowance for Uncollectible Accounts) | | | | 83,311 | | |
| Prepaid Expenses | | | | 12,098 | | |
| Due From Other Funds | 149,413 | 397,106 | 5,059 | 155,758 | | |
| Restricted Assets | | | | | | |
| Cash and Certificates of Deposit | | | | 361,946 | | |
| Fixed Assets (Net of Allowance for Depreciation) | | | | 3,395,935 | | 1,833,449 |
| Amount Available in Debt Service Fund | | | | | 153,717 | |
| Amount To be Provided for Retirement of General Long-Term Debt | | | | | <u>403,283</u> | |
| TOTAL ASSETS | <u>\$3,692,591</u> | <u>\$494,728</u> | <u>\$123,855</u> | <u>\$4,125,704</u> | <u>\$557,000</u> | <u>\$1,833,449</u> |

The accompanying notes are an integral part of this statement.

(Continued)

TOWN OF MAMOU
 COMBINED BALANCE SHEET - ALL FUND TYPES
 AND ACCOUNT GROUPS
 DECEMBER 31, 1998
 (Continued)

| | <u>GOVERNMENTAL FUND TYPES</u> | | | <u>PROPRIETARY FUND TYPE</u> | <u>ACCOUNT GROUPS</u> | |
|--|--------------------------------|------------------------|---------------------|------------------------------|-------------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Enterprise</u> | <u>General Long-Term Debt</u> | <u>General Fixed Assets</u> |
| <u>LIABILITIES</u> | | | | | | |
| Accounts Payable | \$ 51,203 | \$ | \$ | \$ 30,059 | \$ | \$ |
| Interest Payable | | | | 18,402 | | |
| Payable from Restricted Assets | | | | | | |
| Meter Deposits | | | | 215,370 | | |
| Revenue Bonds and Certificates of Indebtedness | | | | 527,692 | | |
| Due to Other Funds | 486,456 | 55,181 | 79,214 | 86,485 | | |
| General Obligation Bonds | | | | | 557,000 | |
| Total Liabilities | <u>\$ 537,659</u> | <u>\$ 55,181</u> | <u>\$ 79,214</u> | <u>\$ 878,008</u> | <u>\$557,000</u> | <u>\$ -0-</u> |
| <u>FUND EQUITY</u> | | | | | | |
| Investment in General Fixed Assets | \$ | \$ | \$ | \$ | \$ | \$1,833,449 |
| Contributed Capital | | | | 2,428,892 | | |
| Retained Earnings: | | | | | | |
| Reserve for Revenue Bond Retirement | \$ | \$ | \$ | \$ 318,461 | \$ | \$ |
| Unreserved | | | | 500,343 | | |
| Fund Balances: | | | | | | |
| Reserved for Debt Service | | | | | | |
| Unreserved, Undesignated | <u>3,154,932</u> | <u>439,547</u> | <u>44,641</u> | | | |
| Total Retained Earnings/ Fund Balance | <u>\$3,154,932</u> | <u>\$439,547</u> | <u>\$ 44,641</u> | <u>\$ 818,804</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| Total Fund Equity | <u>\$3,154,932</u> | <u>\$439,547</u> | <u>\$ 44,641</u> | <u>\$3,247,696</u> | <u>\$ -0-</u> | <u>\$1,833,449</u> |
| Total Liabilities and Fund Equity | <u>\$3,692,591</u> | <u>\$494,728</u> | <u>\$123,855</u> | <u>\$4,125,704</u> | <u>\$557,000</u> | <u>\$1,833,449</u> |

The accompanying notes are an integral part of this statement.

TOWN OF MAMOU
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 1998

| | <u>General</u> | <u>Special Revenues</u> | <u>Debt Service</u> | <u>Total (Memorandum Only)</u> |
|---|---------------------|-----------------------------|-------------------------|--|
| <u>REVENUES:</u> | | | | |
| Taxes | \$ 289,147 | \$ 534,604 | \$ | \$ 823,751 |
| Licenses and Permits | 83,472 | | | 83,472 |
| Intergovernmental | 89,806 | | | 89,806 |
| Leases | 900,000 | | | 900,000 |
| Fines and Forfeits | 31,846 | | | 31,846 |
| Miscellaneous | <u>101,893</u> | | | <u>101,893</u> |
| Total Revenue | <u>\$1,496,164</u> | <u>\$ 534,604</u> | <u>\$ -0-</u> | <u>\$2,030,768</u> |
| <u>EXPENDITURES:</u> | | | | |
| Current: | | | | |
| General Government | \$ 728,926 | \$ 12,945 | \$ 554 | \$ 742,425 |
| Culture and Recreation | 132,979 | 6,400 | | 139,379 |
| Highways and Streets | 483,902 | | | 483,902 |
| Public Safety - Police | 581,486 | | | 581,486 |
| Debt Service | | | 85,950 | 85,950 |
| Capital Outlays | <u>169,729</u> | <u>52,154</u> | | <u>221,883</u> |
| Total Expenditures | <u>\$2,097,022</u> | <u>\$ 71,499</u> | <u>\$ 86,504</u> | <u>\$2,255,025</u> |
| <u>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</u> | <u>\$(600,858)</u> | <u>\$ 463,105</u> | <u>\$(86,504)</u> | <u>\$(224,257)</u> |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | | |
| Interest Revenues | \$ 199,305 | \$ 1,724 | \$ 5,444 | \$ 206,473 |
| Operating Transfers In | 300,038 | | | 300,038 |
| Sale of Assets | 1,706 | | | 1,706 |
| Operating Transfers Out | <u>(31,353)</u> | <u>(204,145)</u> | <u>(26,855)</u> | <u>(262,353)</u> |
| Total Other Financing Sources (Uses) | <u>\$ 469,696</u> | <u>\$(202,421)</u> | <u>\$(21,411)</u> | <u>\$ 245,864</u> |
| <u>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</u> | <u>\$(131,162)</u> | <u>\$ 260,684</u> | <u>\$(107,915)</u> | <u>\$ 21,607</u> |
| <u>RESIDUAL EQUITY TRANSFER</u> | <u>(686,507)</u> | <u>-0-</u> | <u>-0-</u> | <u>(686,507)</u> |
| <u>FUND BALANCE, BEGINNING OF YEAR</u> | <u>3,972,601</u> | <u>178,863</u> | <u>152,556</u> | <u>4,304,020</u> |
| <u>FUND BALANCE, END OF YEAR</u> | <u>\$3,154,932</u> | <u>\$ 439,547</u> | <u>\$ 44,641</u> | <u>\$3,639,120</u> |

The accompanying notes are an integral part of this statement.

TOWN OF MAMOU
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
 GENERAL AND SPECIAL REVENUE FUND TYPES
 YEAR ENDED DECEMBER 31, 1998

| | <u>GENERAL FUND</u> | | <u>SPECIAL REVENUE FUNDS</u> | |
|--|----------------------|----------------------|------------------------------|--------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Budget</u> | <u>Actual</u> |
| REVENUES: | | | | |
| Taxes | \$ 232,000 | \$ 289,147 | \$ 525,000 | \$ 534,604 |
| Licenses and Permits | 80,000 | 83,472 | | |
| Intergovernmental | 74,000 | 89,806 | | |
| Leases | 900,000 | 900,000 | | |
| Fines and Forfeits | 30,000 | 31,846 | | |
| Miscellaneous | 4,500 | 101,893 | | |
| Total Revenues | <u>\$1,320,500</u> | <u>\$1,496,164</u> | <u>\$ 525,000</u> | <u>\$ 534,604</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | \$ 678,800 | \$ 728,926 | \$ 100 | \$ 12,945 |
| Culture and Recreation | 142,500 | 132,979 | 30,000 | 6,400 |
| Highways and Streets | 531,000 | 483,902 | | |
| Public Safety - Police | 605,200 | 581,486 | | |
| Capital Outlays | 220,000 | 169,729 | 165,000 | 52,154 |
| Total Expenditures | <u>\$2,177,500</u> | <u>\$2,097,022</u> | <u>\$ 195,100</u> | <u>\$ 71,499</u> |
| EXCESS (Deficiency) OF REVENUES | | | | |
| OVER EXPENDITURES | <u>\$ (857,000)</u> | <u>\$ (600,858)</u> | <u>\$ 329,900</u> | <u>\$ 463,105</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Interest Revenue | \$ 160,000 | \$ 199,305 | \$ 2,000 | \$ 1,724 |
| Operating Transfers In | 250,000 | 300,038 | | |
| Operating Transfers Out | | (31,353) | (300,000) | (204,145) |
| Sale of Assets | | 1,706 | | |
| Total Other Financing | | | | |
| Sources (Uses) | <u>\$ 410,000</u> | <u>\$ 469,696</u> | <u>\$(298,000)</u> | <u>\$(202,421)</u> |
| EXCESS (Deficiency) OF REVENUES | | | | |
| AND OTHER SOURCES OVER | | | | |
| EXPENDITURES AND OTHER USES | <u>\$ (447,000)</u> | <u>\$ (131,162)</u> | <u>\$ 31,900</u> | <u>\$ 260,684</u> |
| RESIDUAL EQUITY TRANSFER | | | | |
| | | (686,507) | | |
| FUND BALANCE, BEGINNING OF YEAR | | | | |
| | | <u>3,972,601</u> | | <u>178,863</u> |
| FUND BALANCE, END OF YEAR | | | | |
| | | <u>\$3,154,932</u> | | <u>\$ 439,547</u> |

The accompanying notes are an integral part of this statement.

TOWN OF MAMOU
ENTERPRISE FUND
UTILITY FUND
COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE
DECEMBER 31, 1998 AND 1997

| <u>ASSETS</u> | <u>1998</u> | <u>1997</u> |
|--|------------------------|------------------------|
| <u>Current Assets:</u> | | |
| Cash on Deposit | \$ 115,281 | \$ 228,307 |
| Accounts Receivable, Net Allowance For Uncollectible Accounts (1998, \$18,679; 1997, \$18,679) | 83,311 | 128,068 |
| Accrued Interest Receivable | 1,375 | 1,375 |
| Prepaid Insurance | 12,098 | 12,098 |
| Due from Other Funds | 155,758 | 53,094 |
| Total Current Assets | <u>\$ 367,823</u> | <u>\$ 422,942</u> |
| <u>Restricted Assets:</u> | | |
| Cash on Deposit for Water Bonds | | |
| Bond Sinking Fund | \$ 19,641 | \$ 25,865 |
| Bond Reserve Fund | 45,211 | 40,722 |
| Bond Depreciation Fund | 61,617 | 56,508 |
| Meter Deposit Reserve | | |
| Certificates of Deposit | 219,142 | 209,491 |
| Cash on Deposit for Sewer Rehab Certificate of Indebtedness | | |
| Indebtedness Sinking Fund | 16,335 | 14,346 |
| Total Restricted Assets | <u>\$ 361,946</u> | <u>\$ 346,932</u> |
| <u>Fixed Assets:</u> | | |
| Utility Plant in Service, at cost, Net of Accumulated Depreciation, (1998, \$2,633,805; 1997, \$2,371,253) | <u>\$3,395,935</u> | <u>\$3,570,876</u> |
| TOTAL ASSETS | <u>\$4,125,704</u> | <u>\$4,340,750</u> |

The accompanying notes are an integral part of this statement.

(Continued)

TOWN OF MAMOU
ENTERPRISE FUND
UTILITY FUND
COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE
DECEMBER 31, 1998 AND 1997
(Continued)

| | <u>1998</u> | <u>1997</u> |
|---|--------------------|--------------------|
| <u>Liabilities and Equity:</u> | | |
| <u>Current Liabilities:</u> | | |
| (Payable from Current Assets) | | |
| Accounts Payable | \$ 30,059 | \$ 23,660 |
| Interest Payable | <u>18,402</u> | <u>12,000</u> |
| Total | <u>\$ 48,461</u> | <u>\$ 35,660</u> |
| (Payable from Restricted Assets) | | |
| Current Bonds & Certificates Payable | \$ 43,485 | \$ 27,920 |
| Gas Customer Meter Deposits | 151,557 | 145,155 |
| Water Customer Meter Deposits | <u>63,813</u> | <u>58,771</u> |
| Total | <u>\$ 258,855</u> | <u>\$ 231,846</u> |
| Total Current Liabilities | <u>\$ 307,316</u> | <u>\$ 267,506</u> |
| <u>Long-Term Liabilities:</u> | | |
| Sewer Rehab Bonds Payable | \$ 115,000 | \$ 134,000 |
| Revenue Bonds Payable | <u>369,207</u> | <u>398,810</u> |
| Total Long-Term Liabilities | <u>\$ 484,207</u> | <u>\$ 532,810</u> |
| <u>Other Liabilities:</u> | | |
| Due to Other Funds | <u>\$ 86,485</u> | <u>\$ 156,525</u> |
| Total Other Liabilities | <u>\$ 86,485</u> | <u>\$ 156,525</u> |
| Total Liabilities | <u>\$ 878,008</u> | <u>\$ 956,841</u> |
| <u>Fund Equity:</u> | | |
| Contributed Capital (net of amortization for capital grants) | \$2,428,892 | \$2,497,302 |
| Retained Earnings: | | |
| Reserve for Revenue Bond Retirement | \$ 318,461 | \$ 27,920 |
| Unreserved | <u>500,343</u> | <u>858,693</u> |
| Total Retained Earnings | <u>\$ 818,804</u> | <u>\$ 886,613</u> |
| Total Equity | <u>\$3,247,696</u> | <u>\$3,383,914</u> |
| Total Liabilities and Equity | <u>\$4,125,704</u> | <u>\$4,340,750</u> |

The accompanying notes are an integral part of this statement.

TOWN OF MAMOU
 UTILITY FUND
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN RETAINED EARNINGS - PROPRIETARY FUND TYPE
 YEAR ENDED DECEMBER 31, 1998 AND 1997

| | <u>1998</u> | <u>1997</u> |
|---|----------------------|---------------------|
| <u>Operating Revenue:</u> | | |
| Charge for Services: | | |
| Gas Sales | \$ 570,553 | \$ 668,169 |
| Water Sales | 306,620 | 301,119 |
| Sewer Service Charges | 218,671 | 218,141 |
| Garbage Collection Fees | -0- | 28,149 |
| Transfers, Reconnect Fees and Tapping | 8,425 | 13,336 |
| Late Charges & Miscellaneous | <u>21,026</u> | <u>23,174</u> |
| Total Operating Revenues | <u>\$1,125,295</u> | <u>\$1,252,088</u> |
| <u>Operating Expenses:</u> | | |
| Gas Department Expenses | \$ 575,432 | \$ 533,707 |
| Water Department Expenses | 191,938 | 172,388 |
| Sewerage Department Expenses | 188,743 | 204,555 |
| Garbage Collection Department | -0- | 42,556 |
| Depreciation Expense | <u>262,551</u> | <u>256,000</u> |
| Total Operating Expenses | <u>\$1,218,664</u> | <u>\$1,209,206</u> |
| Operating Income | <u>\$ (93,369)</u> | <u>\$ 42,882</u> |
| <u>Non-Operating Income (Expenses):</u> | | |
| Interest Earned | \$ 21,190 | \$ 27,335 |
| Interest Expense | <u>(70,815)</u> | <u>(54,776)</u> |
| Total Non-Operating Income (Expenses) | <u>\$ (49,625)</u> | <u>\$ (27,441)</u> |
| Income (Loss) Before Operating Transfers | <u>\$ (142,994)</u> | <u>\$ 15,441</u> |
| <u>Other Financing Sources (Uses):</u> | | |
| Operating Transfers | <u>\$ (37,685)</u> | <u>\$ (32,631)</u> |
| Total Other Financing Sources (Uses) | <u>\$ (37,685)</u> | <u>\$ (32,631)</u> |
| Net Income (Loss) | <u>\$ (180,679)</u> | <u>\$ (17,190)</u> |
| Add: Depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital | 112,870 | 112,870 |
| Retained Earnings, Beginning of Year | <u>886,613</u> | <u>790,933</u> |
| Retained Earnings, End of Year | <u>\$ 818,804</u> | <u>\$ 886,613</u> |

The accompanying notes are an integral part of this statement.

TOWN OF MAMOU
COMPARATIVE STATEMENTS OF CASH FLOWS
PROPRIETARY FUND TYPE
YEARS ENDED DECEMBER 31, 1998 AND 1997

| | <u>1998</u> | <u>1997</u> |
|---|--------------------|--------------------|
| <u>Cash flows from operating activities:</u> | | |
| Net income (loss) from operating activities | \$(93,369) | \$ 42,882 |
| Adjustments to reconcile net income/(loss) to net cash provided (used) by operating activities: | | |
| Depreciation | \$ 262,551 | \$ 256,000 |
| (Increase)/Decrease in receivables | 44,757 | (5,369) |
| (Increase)/Decrease in prepaids | -0- | (282) |
| Increase/(Decrease) in accounts payable | 6,399 | (31,433) |
| Increase/(Decrease) in interest payable | 6,402 | (356) |
| Increase/(Decrease) in meter deposit liabilities | 11,444 | 6,096 |
| Increase/(Decrease) in loans from other funds | (70,040) | -0- |
| (Increase)/Decrease in loans to other funds | <u>(102,664)</u> | <u>(39,122)</u> |
| Total adjustments | \$ 158,849 | \$ 185,534 |
| Net cash provided by operating activities | <u>\$ 65,480</u> | <u>\$ 228,416</u> |
| <u>Cash flows from non capital financing activities:</u> | | |
| Payments (to)/from other funds | <u>\$(37,685)</u> | <u>\$(32,631)</u> |
| Net cash used for non capital financing activities | <u>\$(37,685)</u> | <u>\$(32,631)</u> |
| <u>Cash flows from capital and related financing activities:</u> | | |
| Payments for property, plant, and equipment | \$(87,605) | \$(145,707) |
| Bond principal payments | (426,730) | (26,850) |
| Contributions to capital | 44,461 | |
| Bond proceeds | <u>393,692</u> | <u> </u> |
| Net cash provided/(used) by capital and related financing activities | <u>\$(76,182)</u> | <u>\$(172,557)</u> |
| <u>Cash flows from investing activities:</u> | | |
| Interest received | \$ 21,190 | \$ 27,335 |
| Interest paid | <u>(70,815)</u> | <u>(54,776)</u> |
| Net cash provided/(used) by investing activities | <u>\$(49,625)</u> | <u>\$(27,441)</u> |
| Net increase (decrease) in cash and cash equivalents | \$(98,012) | \$(4,213) |
| Cash and cash equivalents at beginning of year | <u>575,239</u> | <u>579,452</u> |
| Cash and cash equivalents at end of year | <u>\$ 477,227</u> | <u>\$ 575,239</u> |

The accompanying notes are an integral part of this statement.

TOWN OF MAMOU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

Note A-Summary of Significant Accounting Policies

The Town of Mamou, Louisiana was incorporated January 4, 1911, under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The financial statements of the Town of Mamou, Louisiana have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 policies are described below.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

TOWN OF MAMOU
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Excluded from the Reporting Entity:

TOWN OF MAMOU HEALTH CARE ENTERPRISE FUND.

The Town of Mamou owns the physical plant operated by Savoy Medical Center, Inc. The Town appoints five of the fifteen members of the governing board.

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. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the Financial Statements in this report, into Governmental Fund Types and Broad Fund Categories as follows:

Governmental Funds

General Fund - The General Fund is the General Operating Fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The Special Revenue Funds account for revenue derived from special taxes or other earmarked revenue sources. The Sales Tax Fund is a Special Fund used to account for proceeds of a 2% Sales and Use Tax in the Town of Mamou.

Debt Service Funds - The Debt Service Funds are used to account for the accumulation and payment of monies for long-term debt.

Proprietary Funds

Enterprise Fund - The Utility Fund is used to account for the operation of the Natural Gas and Water Sales, and Sewerage and Garbage Collection Service Enterprise Fund. The Health Care Fund is used to account for the operations of the hospital. Enterprise Funds are used to account for operations (a) which

TOWN OF MAMOU
NOTES TO FINANCIAL STATEMENTS, CONTINUED

are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental Fund Operating Statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "Available Spendable Resources" during a period.

Fixed assets used in Governmental Fund Type Operations and infrastructure assets such as roads, etc. (General Fixed Assets) are accounted for in the General Fixed Assets Account Group, rather than in Governmental Funds. No depreciation has been provided on General Fixed Assets.

\$1,797,849.00 of fixed assets are valued at historical cost. \$35,600.00 of fixed assets are valued at estimated historical cost by management.

The General Fixed Asset Account Group is not a "fund." It is concerned only with measurement of financial position. It is not involved with measurement of results of operations.

Long-Term Liabilities expected to be financed from Governmental Funds are accounted for in the General Long-Term Debt Account Group not in the governmental funds.

The General Long-Term Debt Account Group is not a "fund." It is concerned only with measurement of financial position. It is not involved with measurement of results of operations.

TOWN OF MAMOU
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

Because of their spending measurement focus, expenditure recognition for Governmental Fund Types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as Governmental Fund Type Expenditures or Fund Liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All Proprietary Funds are accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund Type Operating Statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations, accumulated depreciation is reported on Proprietary Fund Balance Sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

| | |
|--|--------------|
| Natural Gas Utility: | |
| Automotive Equipment | 4-5-10 Years |
| Gas Lines | 25 Years |
| Gas Meters | 33 Years |
| Radios | 10 Years |
| Office Equipment | 10 Years |
| Fence | 20 Years |
| Water Utility: | |
| Wells | 57 Years |
| Water Lines | 25-57 Years |
| Rebuilt Water Tank | 25 Years |
| Motors, Etc. | 4-5 Years |
| Water System Improvements | 30 Years |
| Sewerage Utility: | |
| Disposal Plant | 33 Years |
| Collection System | 33 Years |
| Line Extension and Relocations | 25 Years |
| Lift Stations | 25 Years |
| Transit Level, Sprayer, Etc. | 5 Years |
| Automotive Equipment | 3 Years |
| Garbage Collection Utility: | |
| Solid Waste Incinerator System and Building | 30 Years |
| Automotive Equipment | 15 Years |

TOWN OF MAMOU
NOTES TO FINANCIAL STATEMENTS, CONTINUED

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.

All Governmental Funds and Agency Funds are accounted for using the Modified Accrual Basis of Accounting. Their revenues are recognized when they become measurable and available as net current assets. Property taxes are recorded as revenue when levied even though a portion of the taxes may be collected in subsequent years. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Franchise Taxes, Sales Taxes, Inter-Governmental Revenue, and Interest Income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Gross Sales Taxes are considered "measurable" when collected and are recognized as revenue at that time.

Expenditures are generally recognized under the Modified Accrual Basis of Accounting when the related fund liability is incurred.

All Proprietary Funds are accounted for using the Accrual Basis of Accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Budgets and Budgetary Accounting - The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town Treasurer prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. The budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated requires the approval of the Board of Aldermen.

TOWN OF MAMOU
NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. All budgetary appropriations lapse at the end of each fiscal year.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. The budget for the Debt Service Fund was not adopted.

Investments - Investments are in Certificates of Deposit and are stated at cost. Interest receivable on the Certificates of Deposit are accrued to the balance sheet date.

Unbilled Services - Unbilled services are not reported as receivables due to immateriality.

Inventory - Inventories are not recorded in the financial statements or the funds due to immateriality.

Restricted Assets

These assets consist of cash and Certificates of Deposit restricted for Water Works and Sewer Rehabilitation Fund Debt Service.

Reserves

The Town records reserves to indicate that a portion of the Fund Balance is legally segregated for a special future use.

Following is a list of all reserves used by the Town and a description of each:

Reserved for Debt Service - An amount used to segregate a portion of Fund Balance for Debt Service Resources legally restricted to the payment of long-term debt principal and interest amounts maturing in future years.

Reserved for Revenue Bond Retirement - An amount used to segregate a portion of Fund Balance for Debt Service/Resources legally restricted to the payment of long-term debt principal and interest amounts maturing in future years when sufficient amounts are not reserved in Bond Debt Service accounts.

Reserved for Revenue and Contingency - An amount to segregate a portion of Fund Balance for Debt Service Resources restricted to the payment of long-term debt principal and interest amounts maturing in the future years when sufficient amounts are not reserved in the Debt Service and Bond Retirement Reserve accounts.

TOWN OF MAMOU
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of March 16, of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on March 16, of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Evangeline Parish.

For the year ended December 31, 1998 taxes of 19.68 Mills were levied on property with assessed valuations totaling \$8,065,620 and were dedicated as follows:

| | |
|----------------------------|------------------|
| General Corporate Purposes | 7.45 Mills |
| Street Maintenance | 11.70 Mills |
| Recreation Maintenance | <u>.53 Mills</u> |
| Total | 19.68 Mills |

Total taxes levied were \$158,731.40.

Municipal Police Employees' Retirement System (MPERS)

Plan Description and Provisions:

Two of the Town's full-time police employees, participate in the MPERS, a multiple-employer, cost-sharing pension plan. The payroll for the employees covered by the MPERS for the year ended December 31, 1998 was \$30,925.80; the Town's total police payroll was \$358,885.05. A census of the group is not available at December 31, 1998.

Employees attaining the earlier age of 50 with 20 years of service or age 55 with 12 years of service are entitled to a monthly benefit of 3 and 1/3 per cent of average final compensation times years of creditable service (as defined in the plan), not to exceed 100 per cent of final salary. Active employees who become disabled with at least 5 years of creditable service receive 3 per cent of average final compensation (as defined in the plan) multiplied by years of creditable service, but not less than 40 per cent nor more than 60 per cent of average final compensation. If an active employee dies, his designated beneficiary receives the retirement benefit the member has earned to his date of death, but not less than 40 per cent and not more than 60 per cent of the member's average final compensation.

TOWN OF MAMOU
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Description of Funding Policy:

Covered employees are required by state statute to contribute 7.5 per cent of their salary to MPERS. The Town is required by this statute to contribute 9 per cent of covered salaries to the system; plus, the system receives a State appropriation of the gross direct premiums received by Louisiana Insurance Rating Commission, to meet actuarial funding requirements. The contribution requirements for the year ending December 31, 1998, was \$6213.54 which consisted of \$3,389.16 (9% of covered payroll) from the Town and \$2,824.38 (7.5% of covered payroll) from the covered employees.

The pension benefit obligation is not available at December 31, 1998. Future deficits in the system will be financed by the State and the Town has no further liability to the system, other than required current contributions.

Bad Debts

Bad debts are written off when they are deemed to be uncollectible by Town officials. An allowance is made each year for the amount of receivables which are anticipated to be uncollectible based on prior experience and current conditions. No amounts were written off as bad debts for the year ended December 31, 1998.

Comparative Data

Comparative Data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to read.

Comparative Data for the prior year is presented for the year ended December 31, 1997.

Total Columns on Combined Statements

Total Columns on Combined Statements - Overview are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes

TOWN OF MAMOU
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Capitalization of Interest Cost

Interest accrued during construction of projects is capitalized as a component of the project. There was no interest capitalized during the year ended December 31, 1998.

NOTE B - PROPERTY, PLANT, AND EQUIPMENT

A summary of Proprietary (Utility) Fund Type Property, Plant and Equipment at December 31, 1998 follows:

| | |
|---|---------------------|
| Natural Gas Utility: | |
| Automotive Equipment | \$ 116,059 |
| Gas Lines | 400,729 |
| Meters, Air compressors, Radio Equipment, Etc. | 66,352 |
| Office Equipment | 10,048 |
| Real Estate | 10,958 |
| Water Utility: | |
| Plant and Equipment | 455,726 |
| Office Equipment | 594 |
| Automotive Equipment | 39,618 |
| Water System Improvements | 1,910,690 |
| Sewerage Utility: | |
| Sewerage Lines and Disposal Plant | 2,225,683 |
| Land | 63,910 |
| Machinery and Equipment | 410,622 |
| Auto | 1,000 |
| Construction in Progress | 44,529 |
| Garbage Collection: | |
| Machinery and Equipment | 273,222 |
| Total | \$ 6,029,740 |
| Less: Accumulated Depreciation | 2,633,805 |
| Net | <u>\$ 3,395,935</u> |

TOWN OF MAMOU
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note C - Changes in Long-Term Debt

The following is a summary of changes in Long-Term Debt of the Town for the year ended December 31, 1998:

| | Payable January 1, <u>1998</u> | <u>Additions</u> | <u>Deletions</u> | Balance December 31, <u>1998</u> |
|--------------------------|--------------------------------------|------------------|-------------------|--|
| General Obligation Bonds | <u>\$608,000</u> | <u>\$ -0-</u> | <u>\$(51,000)</u> | <u>\$557,000</u> |
| Total | <u>\$608,000</u> | <u>\$ -0-</u> | <u>\$(51,000)</u> | <u>\$557,000</u> |

Bonds and Notes Payable are comprised of the following:

General Obligation Bonds:

\$693,000 Public Improvement Sales Tax Refunding Bonds, Series 1995, of the Town of Mamou, State of Louisiana, Dated June 1, 1995, due in Annual Installments beginning April 1, 1996, Interest at 6% per annum.

Payments to Maturity are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 1999 | 55,000 |
| 2000 | 59,000 |
| 2001 | 63,000 |
| 2002 | 67,000 |
| 2003 | 70,000 |
| 2004 | 73,000 |
| 2005 | 81,000 |
| 2006 | <u>89,000</u> |
| Total | <u>\$557,000</u> |

These bonds and notes are secured by sales tax collections.

TOWN OF MAMOU
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note D - Enterprise Fund Debt:

Revenue Bonds:

\$393,692 of Water Revenue Refunding Bonds of the Town of Mamou, State of Louisiana, dated May 1, 1998, bearing interest at the rate of 6.9% per annum payable semi-annually on April 1 and October 1 of each year beginning October 1, 1998 with principal payments on April 1 each year beginning April 1, 1999.

| <u>Payment Date</u> | <u>Amount</u> |
|-------------------------|------------------|
| 1999 | \$ 24,485 |
| 2000 | 32,683 |
| 2001 | 33,615 |
| 2002 | 34,601 |
| 2003 | 40,961 |
| 2004 | 42,137 |
| 2005 | 43,401 |
| 2006 | 50,058 |
| 2007 | 51,557 |
| 2008 | <u>40,194</u> |
| Total | <u>\$393,692</u> |

Certificates of Indebtedness:

\$200,000 of Certificates of Indebtedness dated June 1, 1994, bearing interest at a rate of 6.0% per annum payable semiannually beginning December 1, 1994.

Payments to maturity are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 1999 | 19,000 |
| 2000 | 20,000 |
| 2001 | 22,000 |
| 2002 | 23,000 |
| 2003 | 24,000 |
| 2004 | <u>26,000</u> |
| Total | <u>\$134,000</u> |

TOWN OF MAMOU
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note E - Internal Transactions

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The General and Sales Tax Funds' Financial Statements generally reflect such transactions as transfers, except in cases where transfers are believed to be advances and reimbursement is anticipated. Individual Fund Interfund Receivable and Payable balances at December 31, 1998 arising from these transactions were as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-----------------------|---------------------------------|------------------------------|
| General Fund | \$149,413 | \$486,456 |
| Special Revenue Funds | 397,106 | 55,181 |
| Utility Fund | 155,758 | 86,485 |
| Debt Service Fund | 5,059 | 79,214 |
| Totals | <u>\$707,336</u> | <u>\$707,336</u> |

Note F - Litigation

Worker's compensation claims against the Town in connection with the Town's former ownership and management of Savoy Care Center were pending as of June 8, 1999. The administrator handling and adjusting these claims estimates the amount of these contingent liabilities to be \$405,548.47.

Except as described in the preceding paragraph, in the opinions of the Town's attorneys, the claims and potential claims against the Town would not materially affect the financial statements of the Town.

Note G - Compensation of Mayor and Board of Aldermen

A schedule of compensation paid to the Mayor and Board of Aldermen is as follows:

| | <u>Wages</u> | <u>Expense</u> | <u>Total</u> |
|--------------------------|-----------------|-----------------|-----------------|
| Warren Pierrotti (Mayor) | \$ 6,600 | \$ 2,400 | \$ 9,000 |
| Ricky Fontenot | 2,400 | 1,800 | 4,200 |
| J. L. Saucier | 2,400 | 1,800 | 4,200 |
| Barry Rozas | 2,400 | 1,800 | 4,200 |
| Karrel Ardoin | 2,400 | 1,800 | 4,200 |
| Wilda Chamberlain | <u>2,400</u> | <u>1,800</u> | <u>4,200</u> |
| Total | <u>\$18,600</u> | <u>\$11,400</u> | <u>\$30,000</u> |

TOWN OF MAMOU
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note H - Collateralization of Cash

| | |
|--|--------------------|
| Bank Balances at December 31, 1998 | \$ 4,220,589 |
| Less Amount Insured by FDIC | (318,437) |
| Less Amount Collateralized with securities pledged in the Town's name | <u>(3,827,794)</u> |
| Uninsured/Uncollateralized Bank Balances at December 31, 1998 | <u>\$ 74,358</u> |

The Town's cash was not adequately collateralized at December 31, 1998.

Note I - Statement of Cash Flows

Under Governmental Accounting Standards Board Statement No. 9, all governmental entities, whose fiscal year begins after December 15, 1989, must adopt a statement of cash flows to replace the statement of changes in financial position for all proprietary funds.

A statement of cash flows presents cash and cash equivalents at the beginning and end of the period. Cash equivalents are defined as short-term, highly liquid investments that are both:

- a. Readily convertible to known amounts of cash.
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

A statement of cash flows focuses on cash receipts and cash payments resulting from operating, non capital financing, capital and related financing, or investing activities.

Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as investing activities. Cash flows from operating activities generally are the cash effects of transactions and other events that enter into the determination of operating income.

Non capital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. This category includes proceeds from all borrowings (such as revenue anticipation notes) not clearly attributable to acquisition, construction or improvement of capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments.

TOWN OF MAMOU
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit.

Investing activities include making and collecting loans and acquiring and disposing of debt or equity instruments.

Note J - Changes in Contributed Capital - Utility Fund

| | |
|--|--------------------|
| Beginning Balance, January 1, 1998 | \$2,497,301 |
| Additions | 44,461 |
| Deletions: Depreciation attributable to grants | <u>(112,870)</u> |
| Ending Balance, December 31, 1998 | <u>\$2,428,892</u> |

Note K - Changes in General Fixed Assets

| | |
|------------------------------------|--------------------|
| Beginning Balance, January 1, 1998 | \$1,613,272 |
| Additions | 221,883 |
| Deletions | <u>(1,706)</u> |
| Ending Balance, December 31, 1998 | <u>\$1,833,449</u> |

Note L - Hospital Lease

The Town of Mamou owns a hospital facility in the Town of Mamou. In January of 1995 the Town terminated its operating agreement with Savoy Medical Center, Inc., and signed a lease with Columbia Health Care. The Town receives \$75,000 per month in lease payments for a period of 10 years with four, 5 year options.

Note M - Residual Equity Transfer

The residual equity transfer reported in the accompanying financial statements is the result of a settlement between Mamou Health Resources and the Town of Mamou for accounts receivable, debt, and management fees.

Note N - Contingent Liabilities

In 1996 the Town of Mamou entered into an agreement for legal services to collect funds owed to the Town as a result of the prior operations of the hospital facility owned by the Town. Although the funds owed to the Town were collected by the attorney in 1996, no attorney fees had been paid as of June 14, 1999 due to a dispute as to the estimated \$1,953,819 owed by the Town.

TOWN OF MAMOU
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note O - Defeased Debt

In May of 1998 the Town of Mamou issued \$393,692 of refunding bonds to refund the outstanding issue of its Water Revenue Bonds. The proceeds of the issue were placed into an escrow account until the bonds are called in 1999.

NOTE P - "YEAR 2000" ISSUE

The "Year 2000" problem is the result of computer programs being written using two digits rather than four to define the applicable year. The Town has begun the awareness stage of implementing a "Year 2000" compliant system. This stage involves establishing a budget and project plan for dealing with the "Year 2000" issue. The Town has yet to enter the assessment, remediation, and validation/testing stages. The Town has not estimated the cost of addressing the "Year 2000" issue nor has it committed a significant amount of resources to make computer systems and other electronic equipment "Year 2000" - compliant. The impact on the Town's operations of failing to make its systems "Year 2000" - compliant in a timely manner cannot presently be determined.

NOTE Q - AUDIT NOT TIMELY COMPLETED

The audit of the Town's financial statements for the year ended December 31, 1998 was completed after the due date required by two of its bond agreements. Management was unaware of this requirement and will request to change the audit due date to the state requirement.

NOTE R - SELF-INSURANCE

On July 1, 1998, the Town began providing hospitalization coverage through a self-insurance plan for all full-time, non-temporary employees at no cost to qualifying employees. Coverage is available for families of qualifying employees. The qualifying employee is responsible for the cost of this coverage. The plan also provides a \$15,000 life insurance policy. Claims are paid by a third party administrator acting on behalf of the Town. The contract between the Town and this third party administrator includes provisions for administrative fees and stop-loss premiums. The maximum annual cost to the Town is \$216,278.16. Expenses in excess of this amount are re-insured.

MICHAEL W. JOHNSON

Certified Public Accountant

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LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

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 Mayor and Town Council
Town of Mamou, Louisiana

I have audited the general purpose financial statements of Town of Mamou, Louisiana, as of and for the year ended December 31, 1998, and have issued my report thereon dated June 28, 1999. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether Town of Mamou, Louisiana's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as Finding No.'s 1998-1, 1998-2, 1998-3, and 1998-4.

Internal Control Over Financial Reporting

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

However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to

significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town of Mamou, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings as Finding No.'s 1998-1, 1998-2, 1998-3, and 1998-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider Finding No.'s, 1998-1, 1998-2, 1998-3, and 1998-4 to be material weaknesses.

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

Michael W. Johnson

Michael W. Johnson
Certified Public Accountant

Eunice, Louisiana
June 28, 1999

MICHAEL W. JOHNSON

Certified Public Accountant

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TOWN OF MAMOU SCHEDULE OF FINDINGS For the Year Ended December 31, 1998

I have audited the financial statements of the Town of Mamou, Louisiana as of and for the year ended December 31, 1998, and have issued my report thereon dated June 28, 1999. I conducted my 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. My audit of the financial statements as of December 31, 1998 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

Section II Financial Statement Findings

Finding No. 1998-1. Delinquent Utility Customers Not Disconnected

Finding: Delinquent utility bills (predominantly, water and sewerage) were allowed for some customers of the Town of Mamou without cutting off the utilities.

Cause: Lack of implementation of the Town's policies.

Recommendation: Policies for all delinquent utility bills should be enforced for all customers. Delinquent customers should have all utilities cut-off on the designated cut-off date and should be required to pay the balance in full and the reconnect fee before reconnecting the utilities.

Finding No. 1998-2. Cash not Adequately Collateralized

Finding: The Town's cash was not adequately collateralized at December 31, 1998.

Cause: Management overlooked this requirement.

Recommendation: Management should establish procedures to ensure that the Town's cash is adequately collateralized at all times.

Finding No. 1998-3. Lack of Controls Over Police Tickets

Finding: There was a lack of controls over police tickets issued and turned in.

Cause: New personnel in police department were not aware of the importance of accounting for all police tickets.

Recommendation: Implement controls over police tickets to account for all police tickets.

Finding No. 1998-4. Audit not timely completed

Finding: The audit of the Town's financial statements for the year ended December 31, 1998 was completed after the due date of two of its bond agreements.

Cause: Management was not aware of this requirement.

Recommendation: Management should ensure that the audit of its annual financial statements is completed by the date required by its bond agreements.

TOWN OF MAMOU
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 1998

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

| | |
|---|-------------|
| Finding No. 1997-1: Delinquent Utility Customers Not Disconnected. | Unresolved. |
| Finding No. 1997-2: Lack of Control Over Police Tickets. | Unresolved. |
| Finding No. 1997-3: Police Chief and Detective Indicted On Malfeasance Charges. | Resolved |

**TOWN OF MAMOU
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended December 31, 1998**

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

Finding No. 1998-1. Delinquent Utility Customers Not Disconnected:

Management should enforce policies for all delinquent utility bills for all customers.

Management is working toward being able to cut off utilities for customers who do not pay without cutting off paying customers.

Finding No. 1998-2. Cash Not Adequately Collateralized:

Management should establish procedures to ensure that the Town's cash is adequately collateralized at all times.

Management will establish procedures to ensure that the Town's cash is adequately collateralized at all times.

Finding No. 1998-3. Lack of Controls Over Police Tickets:

Management should implement controls over police tickets to account for all police tickets.

Management will implement controls over police tickets to account for all police tickets.

Finding No. 1998-4. Audit Not Timely Completed:

Management should ensure that the audit of its annual financial statements is completed by the date required by its bond agreements.

Management will request to change the audit due date to the state requirement.