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TOWN OF ABITA SPRINGS
ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND - UTILITY SYSTEMS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS
REPORT WITH SUPPLEMENTAL INFORMATION

December 31, 2003 and 2002

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

Release Date 7-21-04

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Enterprise Fund - Utility Systems of the Town of Abita Springs, Louisiana, as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise Fund - Utility Systems of the Town of Abita Springs, Louisiana, at December 31, 2003 and 2002, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The Honorable Mayor and Board of Aldermen
Abita Springs, Louisiana

In accordance with *Government Auditing Standards*, we have also issued a report dated April 2, 2004 on our consideration of the Town of Abita Springs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, controls, and grants.

April 2, 2004

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

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

BALANCE SHEETS

December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash	\$ 32,300	\$ 80,837
Certificates of deposit	28,296	53,699
Investments	33,397	33,721
Consumer accounts receivable (net of uncollectible of \$14,487 for 2003 and \$8,428 for 2002)	149,793	103,272
Other receivables	28,007	-
Prepaid expenses	2,139	3,183
Deferred expenses	<u>3,250</u>	<u>-</u>
Total current assets	277,182	274,712
Restricted Assets:		
Revenue Bond Sinking Fund		
Cash	35,273	62,764
Investments	25,461	9,260
Revenue Bond Reserve Fund Investments		
Cash	20,265	17,100
Investments	17,378	30,101
Capital Additions and Contingencies Fund		
Cash	22,392	18,832
Investments	22,522	25,058
Meter Deposit Fund		
Cash	39,961	33,837
Investments	<u>46,228</u>	<u>46,846</u>
Total restricted assets	229,480	243,798
Fixed Assets:		
Plant and equipment at cost, net of accumulated depreciation	2,527,859	2,147,755
Other Assets:		
Bond issuance cost	<u>8,627</u>	<u>9,200</u>
	<u>\$ 3,043,148</u>	<u>\$ 2,675,465</u>

The accompanying notes are an integral part of this statement.

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

BALANCE SHEETS

December 31, 2003 and 2002

LIABILITIES AND FUND EQUITY

	<u>2003</u>	<u>2002</u>
Current Liabilities (payable from current assets):		
Deficit in pooled cash	\$ 75,717	\$ 32,702
Accounts payable	137,694	62,255
Capital lease, current portion	<u>9,520</u>	<u>9,520</u>
Total current liabilities (payable from current assets)	222,931	104,477
Current Liabilities (payable from restricted assets):		
Accrued interest	27,110	27,664
Revenue bonds payable, current portion	23,000	26,188
Certificate of indebtedness, current portion	25,000	24,000
Customer meter deposits	<u>86,189</u>	<u>80,683</u>
Total current liabilities (payable from restricted assets)	161,299	158,535
Long-Term Liabilities:		
Certificate of indebtedness, net of current portion	151,000	176,000
Revenue bonds payable, net of current portion	834,120	856,771
Capital lease, net of current portion	<u>14,122</u>	<u>22,821</u>
Total long-term liabilities	<u>999,242</u>	<u>1,055,592</u>
Total liabilities	1,383,472	1,318,604
Fund Equity:		
Contributed capital:		
Capital Project Fund	293,084	293,085
Sales Tax Fund	7,008	7,008
Municipality	271,274	271,273
E.P.A. Grant	273,339	273,339
CDB Grant	598,706	598,706
Capital outlay	<u>370,000</u>	<u>-</u>
Total contributed capital	1,813,411	1,443,411
Retained earnings:		
Revenue Bond Fund	23,267	41,373
Capital Additions and Contingencies Fund	44,914	43,890
Unreserved deficit	<u>(221,916)</u>	<u>(171,813)</u>
Total deficit in retained earnings	<u>(153,735)</u>	<u>(86,550)</u>
Total fund equity	<u>1,659,676</u>	<u>1,356,861</u>
	<u>\$ 3,043,148</u>	<u>\$ 2,675,465</u>

The accompanying notes are an integral part of this statement.

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

STATEMENTS OF REVENUES, EXPENSES,
AND DEFICIT IN RETAINED EARNINGS

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Gas sales	\$ 475,738	\$ 375,800
Water sales	111,497	101,044
Sewer service charges	197,189	181,471
Garbage collection fees	133,046	125,019
Water and gas connect fees	55,315	65,129
Impact fees	13,350	-
Miscellaneous	7,336	36,945
Total operating revenues	<u>993,471</u>	<u>885,408</u>
Operating expenses:		
Administrative and general	85,268	111,320
Gas purchased	323,799	225,985
Gas system	76,357	89,012
Water system	93,664	103,186
Sewerage system	196,400	129,619
Garbage collection	123,205	120,468
Depreciation	89,845	81,511
Amortization of bond issuance cost	573	573
Total operating expenses	<u>989,111</u>	<u>861,674</u>
Net operating income	4,360	23,734
Non-operating revenues (expenses):		
Rental income	10,000	15,000
Interest income	2,851	6,734
Interest expense	<u>(61,896)</u>	<u>(61,595)</u>
Total non-operating revenues (expenses)	<u>(49,045)</u>	<u>(39,861)</u>
Net loss before operating transfers	(44,685)	(16,127)
Operating transfers out	<u>(22,500)</u>	<u>(20,000)</u>
Net loss	(67,185)	(36,127)
Retained earnings (deficit), beginning	<u>(86,550)</u>	<u>(50,423)</u>
Retained earnings (deficit), ending	<u><u>\$ (153,735)</u></u>	<u><u>\$ (86,550)</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net operating income	\$ 4,360	\$ 23,734
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	89,845	81,511
Amortization of bond issuance cost	573	573
Decrease (increase) in receivables	(74,528)	8,731
Decrease (increase) in prepaid expenses	1,044	(463)
Increase in deferred expenses	(3,250)	-
Increase in accounts payable	<u>75,439</u>	<u>7,754</u>
Total adjustments	<u>89,123</u>	<u>98,106</u>
Net cash provided by operating activities	93,483	121,840
Cash flows from noncapital financing activities:		
Increase in customer deposits	5,506	6,308
Change in equity in pooled cash, net	43,015	15,741
Operating transfers out to other funds	<u>(22,500)</u>	<u>(20,000)</u>
Net cash provided by noncapital financing activities	26,021	2,049
Cash flows from capital and related financing activities:		
State capital outlay grant	370,000	-
Purchase of fixed assets	(469,949)	(37,697)
Proceeds of capital lease	-	34,280
Proceeds of certificate of indebtedness	-	80,000
Principal payments on capital lease	(8,699)	(1,939)
Interest payments on capital lease	(1,593)	(441)
Principal payments on bonds and certificate of indebtedness	(49,839)	(40,728)
Interest payments on bonds and certificates of indebtedness	<u>(60,857)</u>	<u>(61,754)</u>
Net cash (used for) capital and related financing activities	(220,937)	(28,279)
Cash flows from investing activities:		
Interest received from investments	2,851	6,735
Rental income	10,000	15,000
Purchase of pooled investments not classified as cash equivalents	<u>-</u>	<u>(2,587)</u>
Net cash provided by investing activities	<u>12,851</u>	<u>19,148</u>
Net (increase) decrease in cash and cash equivalents	(88,582)	114,758
Cash and cash equivalents at the beginning of the year	<u>267,069</u>	<u>152,311</u>
Cash and cash equivalents at the end of the year	<u>\$ 178,487</u>	<u>\$ 267,069</u>

The accompanying notes are an integral part of this statement.

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

The financial statements of the Enterprise Fund - Utility Systems of the Town of Abita Springs consists only of the proprietary fund of the Town. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

2. Fund Accounting

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

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

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fixed Assets

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

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

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

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

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

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

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Budgets and Budgetary Accounting

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

The Town follows these procedures in establishing budgets:

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

6. Cash, Cash Equivalents and Investments

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

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

The Town's deposits for the Enterprise Fund at December 31, 2003 are summarized as follows:

	<u>Carrying Balance</u>	<u>Bank Balances</u>
Demand deposits	\$ 150,191	\$ 150,535
Certificates of deposit	<u>28,296</u>	<u>28,331</u>
	<u>\$ 178,487</u>	<u>\$ 178,866</u>

Under state law, the bank balances of these deposits must be secured by federal deposit insurance

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Cash, Cash Equivalents and Investments (Continued)

or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. At December 31, 2003 and 2002, deposits are entirely insured or collateralized with securities held by a mutually acceptable third party financial institution in the Town's name, which is considered a category 1 investment risk as defined by the Governmental Accounting Standards Board.

The Enterprise Fund of the Town of Abita Springs had investments which consisted of one United States treasury bill stated at fair value determined by market price of \$144,986 at December 31, 2003 and \$144,986 at December 31, 2002. These investments are considered a category 2 investment risk, which includes investments for which the securities are held by the counterpart's trust department in the Town's name. The market value at December 31, 2003 and 2002 approximates cost. The investments are carried at the lower of cost or market.

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

7. Accounts Receivable

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance is \$14,487 at December 31, 2003 and \$8,428 at December 31, 2002.

NOTE B - RESTRICTED ASSETS

The Town has approved resolutions authorizing the issuance of \$395,000 Utility Revenue Bonds dated March 24, 1990 and \$600,000 of Utility Revenue Bonds dated July 8, 2000. Both of these resolutions provide for certain restrictions on the assets of the Enterprise Fund. The following reserve requirements have been met for the years ended December 31, 2003 and 2002:

1. Revenue Bond Sinking Fund

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

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE B - RESTRICTED ASSETS (Continued)

2. Revenue Bond Reserve Fund

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

3. Depreciation and Contingency Fund

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

4. Meter Deposit Fund

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

NOTE C - FIXED ASSETS

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

	<u>2003</u>	<u>2002</u>
Sewer distribution system	\$ 2,275,472	\$ 2,261,672
Gas distribution system	49,993	49,993
Water distribution system	1,431,038	986,634
Machinery and equipment	7,744	-
Vehicles	4,000	-
Computer equipment and software	<u>46,649</u>	<u>46,649</u>
	3,814,896	3,344,948
Less: accumulated depreciation	<u>(1,287,037)</u>	<u>(1,197,193)</u>
Balance at end of year	<u>\$ 2,527,859</u>	<u>\$ 2,147,755</u>

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE D - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2003:

Bonds and certificates payable at January 1, 2003	\$ 1,082,959
Bonds and certificates issued	-
Bonds and certificates retired	<u>(49,839)</u>
Bonds and certificates payable at December 31, 2003	<u>\$ 1,033,120</u>

Bonds and certificates payable at December 31, 2003, are comprised of the following:

Revenue Bonds

\$ 600,000 Utility Bonds dated 1998, principal payments due in annual installments through March 2018, interest paid semi-annually at 6%, secured by revenues of the Enterprise System.	\$ 508,000
\$ 395,000 Utility Bonds dated 1989, due in annual installments of \$26,426, including interest at 6%, secured by revenues of the Enterprise System.	349,120

Certificates of Indebtedness

\$180,000 Certificate of Indebtedness dated 1998, principal payments due in annual installments through June 2008, interest paid semi-annually at 4%, secured by revenues of the Enterprise System.	103,000
\$80,000 Certificate of Indebtedness dated 2002, principal payments due in annual installments through 2012, interest paid semi-annually at 4%, secured by revenues of the Enterprise System.	<u>73,000</u>
	1,033,120
Less: current maturities	<u>(48,000)</u>
Long-term debt	<u>\$ 985,120</u>

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE E - ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT

The annual requirements to amortize long-term debt are as follows as of December 31, 2003:

Year Ending <u>December 31,</u>	Revenue <u>Bonds</u>
2004	\$ 48,000
2005	58,000
2006	62,000
2007	64,000
2008	67,000
Thereafter	<u>734,120</u>
	<u>\$ 1,033,120</u>

In 2004, the Town of Abita Springs reissued \$355,000 of Utility Revenue Refunding Bonds, Series 2004, payable in amortized installments of principal and interest on March 22 of the years 2004 through 2030, interest at 6%. The annual requirements to amortize long-term debt was calculated from the reissuance of the bonds.

NOTE F - CAPITAL LEASE OBLIGATIONS

The Town is obligated under a lease accounted for as a capital lease. The leased asset and related obligation are accounted for in the Enterprise Fund. The asset under lease, a backhoe, cost \$34,280. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of December 31, 2003:

Year Ending <u>December 31,</u>	
2004	\$ 9,520
2005	8,833
2006	<u>7,140</u>
	25,493
Less interest	<u>(1,851)</u>
Present value of future minimum lease payments	<u>\$ 23,642</u>

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE G - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (MERS)

Plan Description and Provisions:

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

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

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

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

In lieu of terminating employment and accepting a service retirement allowance, any member of the plan who has been an active contributing member for one full year after becoming eligible for normal retirement may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. Upon commencement of participation in the plan, membership in the System terminates. During participation in the plan, employer contributions are payable but employee contributions cease.

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

The System issued an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE G - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (MERS) (Continued)

Description of Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Town is required to contribute at an actuarially determined rate, which is currently 11.00% of annual covered payroll. Contributions to the System also include one-fourth of one percent (except in Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System under Plan A for the years ending December 31, 2003, 2002, and 2001 were \$23,182, \$13,144, and \$11,484, respectively, equal to the required contributions for each year.

NOTE H - BOARD OF ALDERMEN SALARIES

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

NOTE I - RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

	<u>2003</u>	<u>2002</u>
Cash and cash equivalents per balance sheet:		
Current Assets:		
Cash	\$ 32,300	\$ 80,837
Certificates of deposit	28,296	53,699
Restricted:		
Revenue bond sinking fund	35,273	62,764
Revenue bond reserve fund	20,265	17,100
Capital additions and contingencies fund	22,392	18,832
Meter deposit fund	<u>39,961</u>	<u>33,837</u>
Cash and cash equivalents per statement of cash flows	<u>\$ 178,487</u>	<u>\$ 267,069</u>

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE J - CUSTOMER ACCOUNTS RECEIVABLE

As of December 31, 2003, accounts receivable from utility customers is aged as follows:

Current	\$ 147,245
30 - 90 days	4,062
90 days and over	<u>12,973</u>
	<u>\$ 164,280</u>

SUPPLEMENTARY INFORMATION

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

SCHEDULES OF OPERATING EXPENSES

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Administrative and general:		
Auto repairs and maintenance	\$ 2,091	\$ 8,770
Bad debts	6,059	-
Billing expense, primarily postage	3,087	3,090
Equipment rental	-	7,600
Gas and oil	5,078	3,544
Insurance expense	24,171	11,348
Legal and accounting	12,261	14,363
Miscellaneous	2,815	9,426
Office supplies	4,537	2,581
Repairs and maintenance - equipment	5,588	8,765
Repairs and maintenance - structures	6,831	23,266
Small tools and equipment	1,990	6,309
Telephone	5,950	5,275
Travel and meetings	2,994	4,922
Uniforms	<u>1,816</u>	<u>2,061</u>
Total administrative and general	<u>\$ 85,268</u>	<u>\$ 111,320</u>
Gas system:		
Salaries	\$ 27,920	\$ 35,628
Employee benefits	9,629	10,565
Materials and supplies	2,115	3,383
Meter reading	6,997	5,653
Repairs and maintenance	29,008	32,853
Retirement	-	666
Utilities	246	264
Payroll taxes	<u>442</u>	<u>-</u>
Total gas system	<u>\$ 76,357</u>	<u>\$ 89,012</u>
Sewerage system:		
Salaries	\$ 45,194	\$ 42,898
Employee benefits	8,231	8,366
Materials and supplies	6,192	12,416
Plant testing	5,590	5,057
Repairs and maintenance	94,963	31,660
Retirement	-	657
Utilities	35,494	28,565
Payroll taxes	<u>736</u>	<u>-</u>
Total sewerage system	<u>\$ 196,400</u>	<u>\$ 129,619</u>

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

SCHEDULES OF OPERATING EXPENSES

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Garbage collection:		
Garbage pick-up	\$ 119,267	\$ 116,748
Trash pick-up	<u>3,938</u>	<u>3,720</u>
Total garbage collection	<u>\$ 123,205</u>	<u>\$ 120,468</u>
Water system:		
Salaries	\$ 29,133	\$ 39,582
Employee benefits	10,634	12,336
Materials and supplies	2,863	4,423
Meter reading	6,997	5,653
Repairs and maintenance	32,994	27,907
Retirement	-	602
Utilities	10,572	12,683
Payroll taxes	<u>471</u>	<u>-</u>
Total water system	<u>\$ 93,664</u>	<u>\$ 103,186</u>

TOWN OF ABITA SPRINGS, LOUISIANA

ENTERPRISE FUND
UTILITY SYSTEMS

COMBINED SCHEDULE OF INVESTMENTS

December 31, 2003

	<u>Yield</u>	<u>Maturity Date</u>	<u>Amount</u>
Operations			
United States Treasury Bill	4.88%	2/12/04	\$ 33,397
Revenue Bond Reserve Fund			
United States Treasury Bill	4.88%	2/12/04	17,378
Bond Sinking Fund			
United States Treasury Bill	4.88%	2/12/04	25,461
Capital Additions and Contingencies Fund			
United States Treasury Bill	4.88%	2/12/04	22,522
Meter Deposit Account			
United States Treasury Bill	4.88%	2/12/04	<u>46,228</u>
			<u>\$144,986</u>

TOWN OF ABITA SPRINGS, LOUISIANA

UTILITY RATE SCHEDULE

December 31, 2003

Water charges:

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

Sewer charges:

- All customers - 2.67 times the water bill calculated above with a minimum of \$13.00 and a maximum of \$55.00

Gas rate schedule:

Charges are based on the following formula:

$$\text{Residential} = \$4.50 + \{[(\text{gas cost} \times 1.07\%) + 2.925] \times \text{mcf}\}$$
$$\text{Commercial} = \$4.50 + \{[(\text{gas cost} \times 1.07\%) + 3.290] \times \text{mcf}\}$$

TOWN OF ABITA SPRINGS, LOUISIANA

GOVERNING BOARD

December 31, 2003

<u>Board of Aldermen</u>	<u>Term of Office</u>	<u>Compensation</u>
Troy Dugas, Mayor Pro-Tem 720099 Hickory Street Abita Springs, LA 70420	December 31, 2003	\$ 3,900
Regina Benton P. O. Box 324 Abita Springs, LA 70420	December 31, 2003	\$ 3,900
Calvin Cognevich P. O. Box 15 Abita Springs, LA 70420	December 31, 2003	\$ 3,900
Patricia Edmiston 72286 Gordon Street Abita Springs, LA 70420	December 31, 2003	\$ 3,900
Johathan Davis 22364 Level Street Abita Springs, LA 70420	December 31, 2003	\$ 3,900

TOWN OF ABITA SPRINGS, LOUISIANA
SCHEDULE OF INSURANCE COVERAGE

December 31, 2003

<u>Coverage</u>	<u>Expiration</u>	<u>Amount of Coverage</u>
Property and contents (aggregate)	January 21, 2004	\$ 887,750
Fidelity:	September 30, 2004	
Mayor		\$ 50,000
Mayor pro tem		50,000
Town clerk		50,000
Utility clerk		50,000
Liability:	May 1, 2004	
General		\$1,605,000
Auto		500,000
Error and omissions		1,000,000
Law enforcement		500,000
Commercial equipment	May 14, 2004	\$ 34,500
Auto collision	May 1, 2004	\$ 22,000

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

(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

P.O. Box 3790

Covington, Louisiana 70434-3790

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

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

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

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

We have audited the financial statements of the Enterprise Fund of the Town of Abita Springs, Louisiana as of December 31, 2003 and 2002 and for the two years then ended and have issued our report thereon dated April 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the Town of Abita Springs, Louisiana'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 are required to be reported under *Government Auditing Standards* and is described in the following paragraph.

The police chief of Abita Springs pleaded guilty to public bribery and malfeasance for selling police commissions with the knowledge they were being used to avoid tolls on the Lake Pontchartrain Causeway and to buy weapons restricted to police officers. He resigned as police chief on August 21, 2003. Two other former officers of the police department are accused of buying restricted firearms and selling them on the street. As a result, Abita Springs voters decided to change the office of police chief to an appointed position rather than an elected position. It does not appear that any Town monies were used in either case.

In planning and performing our audit, we considered the Town of Abita Springs' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in 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.

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

This report is intended solely for the information of management, the Rural and Economic Development Office of the U.S. Department of Agriculture and the Louisiana Legislative Auditor and is not intended nor should be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

April 2, 2004

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

Town of Abita Springs, La.

CLERK
SECRETARY-TREASURER
TAX COLLECTOR
DONNA KILPATRICK

CHIEF OF POLICE
THELMA EDWARDS

CLERK OF COURT
KAYLA FAUNTLEROY

ATTORNEY
EDWARD DEANO

BUILDING INSPECTOR
DAVID CHATELAIN



MAYOR
LOUIS FITZMORRIS

ALDERMEN
TROY DUGAS
(MAYOR PRO-TEM)

CALVIN COGNEVICH
JONATHAN DAVIS
PATRICIA EDMISTON
REGINA BENTON

UTILITY CLERK
BRIDGET FAIRBURN

PLANNING & ZONING CLERK
CINDY MURRY

ACCOUNTS PAYABLE
JENNIFER OALMANN

June 22, 2004

Legislative Audit Advisory Committee
P. O. Box 94397
Baton Rouge, LA 70804-9397

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To Whom it May Concern:

I am writing in response to a compliance finding included in the audit of the Enterprise Fund of the Town of Abita Springs for the year ended December 31, 2003 relating to the investigation of the police department. During the year, the police chief pleaded guilty to public bribery and malfeasance. The Town has cooperated fully with the investigation. The voters decided to change the office of police chief to an appointed position rather than an elected one. A new police chief has been hired and changes are being made to ensure that the police department operates in a legal manner.

Sincerely


Louis Fitzmorris
Mayor