

**TOWN OF MADISONVILLE,
LOUISIANA**

Annual Financial Statements

June 30, 2009

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 1/20/10

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Independent Auditor's Report

To the Honorable Peter Gitz, Mayor
and the Board of Aldermen
Town of Madisonville, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Madisonville, Louisiana, (the Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Madisonville, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Madisonville, Louisiana, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2009, on our consideration of the Town of Madisonville, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, beginning on page 4, and the budgetary comparison schedules identified as Schedule I and Schedule II, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Madisonville's basic financial statements. The accompanying Schedule of Compensation is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all materials respects in relation to the basic financial statements taken as a whole.


A Professional Accounting Corporation

September 14, 2009

**REQUIRED SUPPLEMENTAL INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

TOWN OF MADISONVILLE, LOUISIANA
Management's Discussion and Analysis

For the Year Ended June 30, 2009

As management of the Town of Madisonville, Louisiana (the Town), we offer readers this narrative overview and financial analysis of the financial activities of the Town as of June 30, 2009, and for the year then ended.

Financial Highlights

At June 30, 2009, the Town's assets exceeded its liabilities by \$7,159,779 (*net assets*). Of this amount, \$2,250,326 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to its citizens and creditors. The Town's total net assets increased by \$175,786 for the year ended June 30, 2009.

At June 30, 2009, the Town's governmental funds reported combined ending fund balances of \$2,428,960. Combined governmental fund balance increased by \$111,749 for the year ended June 30, 2009.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. The Town's basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to Financial Statements

Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole, using an accounting method similar to that used by private-sector companies. The basis of accounting used is accrual accounting. The government-wide statements reflect all of the Town's assets (including capital assets) and all of the Town's liabilities. The two government-wide financial statements are as follows:

- *Statement of Net Assets:* This statement presents information on all of the Town's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- *Statement of Activities:* This statement presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

TOWN OF MADISONVILLE, LOUISIANA
Management's Discussion and Analysis

For the Year Ended June 30, 2009

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

- The governmental activities of the Town include General Government, Public Safety, Public Works and Recreation.
- The business-type activities of the Town include Natural Gas, Water, Sewer and Garbage Funds.

Fund Financial Statements

A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. The Town has two types of funds:

- *Governmental Funds* - These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The Town's major governmental funds are the General Fund and the Special Revenue Fund.
- *Proprietary Funds* - These funds are used to account for activities that function in a manner similar to commercial enterprises. Proprietary fund financial statements typically provide a more detailed presentation of the information reported in the business-type activities portion of the government-wide financial statements. The Town's major proprietary funds are Gas, Water, Sewer and Garbage.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements directly follow the proprietary fund financial statements.

TOWN OF MADISONVILLE, LOUISIANA
Management's Discussion and Analysis

For the Year Ended June 30, 2009

Government-Wide Financial Analysis

A condensed version of the Government-Wide Statement of Net Assets is presented as follows:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current Assets	\$ 2,437,778	\$ 2,328,446	\$ 569,712	\$ 549,340	\$ 3,007,490	\$ 2,877,786
Capital Assets	1,658,588	1,753,808	5,117,811	5,258,263	6,776,399	7,012,071
Total Assets	4,096,366	4,082,254	5,687,523	5,807,603	9,783,889	9,889,857
Liabilities						
Current and Other Liabilities	8,818	11,235	698,292	860,629	707,110	871,864
Long-Term Liabilities	-	-	1,917,000	2,034,000	1,917,000	2,034,000
Total Liabilities	8,818	11,235	2,615,292	2,894,629	2,624,110	2,905,864
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,658,588	1,753,808	3,200,811	3,224,263	4,859,399	4,978,071
Restricted - Revenue Bonds	-	-	50,054	18,136	50,054	18,136
Unrestricted	2,428,960	2,317,211	(178,634)	(329,425)	2,250,326	1,987,786
Total Net Assets	\$ 4,087,548	\$ 4,071,019	\$ 3,072,231	\$ 2,912,974	\$ 7,159,779	\$ 6,983,993

The amount invested in capital assets, net of related debt, represents 71% of total net assets. Net assets invested in capital assets consist of land, buildings and equipment, less any outstanding debt used to acquire those assets. The Town has elected not to retroactively record, as capital assets, its infrastructure that existed prior to adopting GASB Statement No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments*.

TOWN OF MADISONVILLE, LOUISIANA
Management's Discussion and Analysis

For the Year Ended June 30, 2009

Government-Wide Financial Analysis (Continued)

A condensed version of the Government-Wide Statement of Activities is presented as follows:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for Services	\$ 18,516	\$ 16,186	\$ 2,270,450	\$ 2,166,514	\$ 2,288,966	\$ 2,182,700
Operating Grants	-	11,323	-	-	-	11,323
Capital Grants and Contributions	-	361,878	33,250	-	33,250	361,878
General Revenues						
Taxes	878,178	1,060,773	-	-	878,178	1,060,773
Licenses and Permits	165,540	185,917	-	-	165,540	185,917
Fines and Forfeitures	22,035	11,659	-	-	22,035	11,659
Investment Earnings	30,147	54,692	3,997	19,192	34,144	73,884
Other	20,404	39,919	64,682	89,374	85,086	129,293
Total Revenues	1,134,820	1,742,347	2,372,379	2,275,080	3,507,199	4,017,427
Expenses						
General Government	287,216	370,806	-	-	287,216	370,806
Public Safety	386,384	306,851	-	-	386,384	306,851
Public Works	380,294	361,947	-	-	380,294	361,947
Recreation	17,246	17,937	-	-	17,246	17,937
Gas	-	-	1,711,228	1,759,297	1,711,228	1,759,297
Water	-	-	98,809	85,055	98,809	85,055
Sewer	-	-	224,950	216,937	224,950	216,937
Garbage	-	-	78,343	91,747	78,343	91,747
Interest Expense	-	-	97,895	102,299	97,895	102,299
Amortization of Bond Issue Cost	-	-	1,897	1,837	1,897	1,837
Total Expenses	1,071,140	1,057,541	2,213,122	2,257,172	3,284,262	3,314,713
Special Item - Land Donation	(47,151)	-	-	-	(47,151)	-
Change in Net Assets	16,529	684,806	159,257	17,908	175,786	702,714
Net Assets, Beginning of Year	4,071,019	3,386,213	2,912,974	2,895,066	6,983,993	6,281,279
Net Assets, End of Year	\$ 4,087,548	\$ 4,071,019	\$ 3,072,231	\$ 2,912,974	\$ 7,159,779	\$ 6,983,993

**TOWN OF MADISONVILLE, LOUISIANA
Management's Discussion and Analysis**

For the Year Ended June 30, 2009

Financial Analysis of the Funds

The Town's General Fund had a decrease in fund balance of \$10,480 for the year ended June 30, 2009. The Town's Special Revenue Fund had an increase in fund balance of \$122,229 for the year ended June 30, 2009. Total governmental fund amounts are different from governmental activities due to capital assets and depreciation of capital assets.

Amounts reported for business-type activities in the Town's individual funds are identical to business-type activities reported in the government-wide presentation.

Budget Highlights

As required by law, the Town adopts a budget for its General Fund and Special Revenue Fund. During the year ended June 30, 2009, the Town amended its General Fund and Special Revenue Fund budgets to account for increases in expenses.

Capital Asset Administration

Capital Assets, net of accumulated depreciation, decreased by \$235,672 for the year ended June 30, 2009. The decrease in the current year was due to the donation of property owned by the Town to the St. Tammany Parish Council and current year depreciation. Major increases in prior year were due to construction of sidewalks and road improvements.

Long-Term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$2,034,000. The entire amount was secured by the revenues of the gas fund.

The Town's total debt decreased by \$113,000 during the current fiscal year. Additional information on the Town's long-term debt can be found in the notes of this report.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances. Questions concerning this report or the need of additional information should be directed to Cyndi Phelps, Municipal Clerk, P.O. Box 160, Madisonville, Louisiana 70447.

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

TOWN OF MADISONVILLE, LOUISIANA
Statement of Net Assets
June 30, 2009

Statement A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,101,795	\$ 50,351	\$ 1,152,146
Equity in Pooled Cash	469,574	-	469,574
Investments	734,980	151,285	886,265
Receivables, Net	131,429	143,955	275,384
Grant Receivables	-	33,250	33,250
Bond Issuance Costs	-	23,817	23,817
Restricted Cash and Cash Equivalents	-	167,054	167,054
Capital Assets, Net	1,658,588	5,117,811	6,776,399
Total Assets	4,096,366	5,687,523	9,783,889
Liabilities			
Accounts Payable	5,871	37,237	43,108
Accrued Liabilities	1,747	-	1,747
Deficit in Pooled Cash	-	469,574	469,574
Deposits	1,200	74,481	75,681
Bonds Payable			
Due in One Year	-	117,000	117,000
Due in More Than One Year	-	1,917,000	1,917,000
Total Liabilities	8,818	2,615,292	2,624,110
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,658,588	3,200,811	4,859,399
Restricted - Revenue Bonds	-	50,054	50,054
Unrestricted	2,428,960	(178,634)	2,250,326
Total Net Assets	\$ 4,087,548	\$ 3,072,231	\$ 7,159,779

The accompanying notes are an integral part of these financial statements.

TOWN OF MADISONVILLE, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2009

Statement B

Functions / Programs	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 287,216	\$ 18,516	-	\$ (268,700)	\$ -	\$ (268,700)
Public Safety	386,384	-	-	(386,384)	-	(386,384)
Public Works	380,294	-	-	(380,294)	-	(380,294)
Recreation	17,246	-	-	(17,246)	-	(17,246)
Total Governmental Activities	1,071,140	18,516	-	(1,052,624)	-	(1,052,624)
Business-Type Activities						
Gas	1,711,228	2,023,600	-	-	312,372	312,372
Water	98,809	73,061	-	-	(25,748)	(25,748)
Sewer	224,950	94,702	33,250	-	(96,998)	(96,998)
Garbage	78,343	79,087	-	-	744	744
Interest Expense	97,895	-	-	-	(97,895)	(97,895)
Amortization of Bond Issue Costs	1,897	-	-	-	(1,897)	(1,897)
Total Business-Type Activities	2,213,122	2,270,450	33,250	-	90,578	90,578
Total	\$ 3,284,262	\$ 2,288,966	\$ 33,250	(1,052,624)	90,578	(962,046)
General Revenues						
Taxes						
Sales Taxes				718,812	-	718,812
Property Taxes				101,690	-	101,690
Franchise Taxes				52,652	-	52,652
Other Taxes				5,024	-	5,024
Licenses and Permits				165,540	-	165,540
Other Revenues				22,035	64,682	86,717
Fines and Forfeitures				30,147	-	30,147
Investment Earnings				20,404	3,997	24,401
Special Item - Donated Land				(47,151)	-	(47,151)
Total General Revenues and Special Items				1,069,153	68,679	1,137,832
Change in Net Assets				16,529	159,257	175,786
Net Assets, Beginning of Year				4,071,019	2,912,974	6,983,993
Net Assets, End of Year				\$ 4,087,548	\$ 3,072,231	\$ 7,159,779

The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS**

TOWN OF MADISONVILLE, LOUISIANA
Balance Sheet
Governmental Funds
June 30, 2009

Statement C

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 640,537	\$ 461,258	\$ 1,101,795
Equity in Pooled Cash	82,731	386,843	469,574
Investments	217,773	517,207	734,980
Due from Other Funds	-	249,971	249,971
Receivables, Net	73,639	57,790	131,429
	<hr/>		
Total Assets	\$ 1,014,680	\$ 1,673,069	\$ 2,687,749
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Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 5,871	\$ -	\$ 5,871
Accrued Liabilities	1,747	-	1,747
Due to Other Funds	249,971	-	249,971
Deposits	1,200	-	1,200
	<hr/>		
Total Liabilities	258,789	-	258,789
Fund Balances			
Unreserved, Reported in:			
General Fund	755,891	-	755,891
Special Revenue Fund	-	1,673,069	1,673,069
	<hr/>		
Total Fund Balances	755,891	1,673,069	2,428,960
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Total Liabilities and Fund Balances	\$ 1,014,680	\$ 1,673,069	\$ 2,687,749
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The accompanying notes are an integral part of these financial statements.

TOWN OF MADISONVILLE, LOUISIANA
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2009

Statement D

Fund Balances - Total Governmental Funds	\$ 2,428,960
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Governmental Capital Assets	2,442,875
Less: Accumulated Depreciation	<u>(784,287)</u>

Net Assets of Governmental Activities	<u>\$ 4,087,548</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF MADISONVILLE, LOUISIANA
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

Statement E

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes			
Sales Taxes	\$ 359,406	\$ 359,406	\$ 718,812
Property Taxes	101,690	-	101,690
Franchise Taxes	52,652	-	52,652
Other	5,024	-	5,024
Licenses and Permits	165,540	-	165,540
Fines and Forfeitures	30,147	-	30,147
Interest Income	7,619	12,784	20,403
Other Revenues	10,527	-	10,527
Boat Trailer Permits	9,316	-	9,316
Community Center Rentals	9,200	-	9,200
Donations	6,750	-	6,750
Intergovernmental Grants	794	3,964	4,758
Total Revenues	758,665	376,154	1,134,819
Expenditures			
Current			
General Government	281,389	-	281,389
Public Safety	372,244	-	372,244
Public Works	115,512	243,785	359,297
Recreation	-	10,140	10,140
Total Expenditures	769,145	253,925	1,023,070
Net Change in Fund Balances	(10,480)	122,229	111,749
Fund Balances, Beginning of Year	766,371	1,550,840	2,317,211
Fund Balances, End of Year	\$ 755,891	\$ 1,673,069	\$ 2,428,960

The accompanying notes are an integral part of these financial statements.

TOWN OF MADISONVILLE, LOUISIANA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Statement F

Change in Fund Balances - Total Governmental Funds	\$ 111,749
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Amounts reported for governmental activities in the Statement of Activities are different because:

Donations of capital assets in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(47,151)
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Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>(48,069)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 16,529</u></u>
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The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS
PROPRIETARY FUNDS**

TOWN OF MADISONVILLE, LOUISIANA
Statement of Net Assets
Proprietary Funds
June 30, 2009

Statement G

	Gas Fund	Water Fund	Sewer Fund	Garbage Fund	Total
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 50,301	\$ 50	\$ -	\$ -	\$ 50,351
Equity in Pooled Cash	-	26,368	-	3,513	29,881
Investments	-	-	129,930	21,355	151,285
Accounts Receivable, Net	116,587	8,233	10,476	8,659	143,955
Grants Receivable	-	-	33,250	-	33,250
Total Current Assets	166,888	34,651	173,656	33,527	408,722
Non-Current Assets					
Restricted Cash and Cash Equivalents	167,054	-	-	-	167,054
Bond Issuance Costs, Net	23,817	-	-	-	23,817
Capital Assets, Net	3,632,329	71,956	1,413,526	-	5,117,811
Total Non-Current Assets	3,823,200	71,956	1,413,526	-	5,308,682
Total Assets	3,990,088	106,607	1,587,182	33,527	5,717,404
Liabilities					
Current Liabilities					
Accounts Payable	33,975	578	2,684	-	37,237
Deficit in Pooled Cash	320,895	-	178,560	-	499,455
Total Current Liabilities	354,870	578	181,244	-	536,692
Current Liabilities Payable from Restricted Net Assets					
Bonds Payable	117,000	-	-	-	117,000
Non-Current Liabilities					
Customer Deposits	62,558	11,923	-	-	74,481
Bonds Payable	1,917,000	-	-	-	1,917,000
Total Non-Current Liabilities	1,979,558	11,923	-	-	1,991,481
Total Liabilities	2,451,428	12,501	181,244	-	2,645,173
Net Assets					
Invested in Capital Assets, Net of Related Debt	1,715,329	71,956	1,413,526	-	3,200,811
Restricted - Revenue Bonds	50,054	-	-	-	50,054
Unrestricted Net Assets	(226,723)	22,150	(7,588)	33,527	(178,634)
Total Net Assets	\$ 1,538,660	\$ 94,106	\$ 1,405,938	\$ 33,527	\$ 3,072,231

The accompanying notes are an integral part of these financial statements.

TOWN OF MADISONVILLE, LOUISIANA
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

Statement H

	Gas Fund	Water Fund	Sewer Fund	Garbage Fund	Total
Operating Revenues					
Charges for Services					
Gas Sales	\$ 2,023,600	\$ -	\$ -	\$ -	\$ 2,023,600
Sewer Service Charges	-	-	94,702	-	94,702
Garbage Collection Fees	-	-	-	79,087	79,087
Water Sales	-	73,061	-	-	73,061
Total Operating Revenues	2,023,600	73,061	94,702	79,087	2,270,450
Operating Expenses					
Gas Purchased	1,194,032	-	-	-	1,194,032
Salaries and Related Benefits	191,742	53,256	48,160	-	293,158
Depreciation	146,493	5,927	60,609	-	213,029
Repairs and Maintenance	50,552	18,511	72,101	-	141,164
Administrative and General	53,828	9,028	13,772	5,678	82,306
Garbage Collection	-	-	-	72,665	72,665
Insurance	28,515	5,039	7,168	-	40,722
Utilities	6,486	7,008	23,140	-	36,634
Auto and Truck	26,240	40	-	-	26,280
Authority Fees	13,340	-	-	-	13,340
Total Operating Expenses	1,711,228	98,809	224,950	78,343	2,113,330
Operating Income (Loss)	312,372	(25,748)	(130,248)	744	157,120
Non-Operating Revenues (Expenses)					
Late Fees and Penalties	41,080	-	-	-	41,080
Grant Income	-	-	33,250	-	33,250
Cell Tower Lease	-	-	21,607	-	21,607
Interest Income	2,192	-	1,546	259	3,997
Sewer Lot Fees	-	-	1,500	-	1,500
Miscellaneous	495	-	-	-	495
Amortization of Bond Issuance Cost	(1,897)	-	-	-	(1,897)
Interest Expense	(97,895)	-	-	-	(97,895)
Total Non-Operating Revenues (Expenses)	(56,025)	-	57,903	259	2,137
Change in Net Assets	256,347	(25,748)	(72,345)	1,003	159,257
Net Assets, Beginning of Year	1,282,313	119,854	1,478,283	32,524	2,912,974
Net Assets, End of Year	\$ 1,538,660	\$ 94,106	\$ 1,405,938	\$ 33,527	\$ 3,072,231

The accompanying notes are an integral part of these financial statements.

TOWN OF MADISONVILLE, LOUISIANA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

Statement I

	Gas Fund	Water Fund	Sewer Fund	Garbage Fund	Total
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$ 2,077,289	\$ 72,330	\$ 126,424	\$ 78,187	\$ 2,354,230
Payments to Suppliers	(1,419,629)	(39,048)	(119,045)	(84,686)	(1,662,408)
Payments to Employees	(191,742)	(53,256)	(48,160)	-	(293,158)
Net Cash Provided by (Used in) Operating Activities	465,918	(19,974)	(40,781)	(6,499)	398,664
Cash Flows from Non-Capital Financing Activities					
Late Fees and Penalties	41,080	-	-	-	41,080
Cell Tower Lease	-	-	21,607	-	21,607
Sewer Lot Fees	-	-	1,500	-	1,500
Miscellaneous	495	-	-	-	495
Interfund Borrowings	(234,504)	19,974	92,714	6,499	(115,317)
Net Cash (Used in) Provided by Non-Capital Financing Activities	(192,929)	19,974	115,821	6,499	(50,635)
Cash Flows from Capital and Related Financing Activities					
Change in Grants Receivable	-	-	(33,250)	-	(33,250)
Purchase of Capital Assets	(33,788)	-	(38,790)	-	(72,578)
Interest Paid on Capital Debt	(97,895)	-	-	-	(97,895)
Principal Paid on Capital Debt	(113,000)	-	-	-	(113,000)
Net Cash Used in Capital and Related Financing Activities	(244,683)	-	(72,040)	-	(316,723)
Cash Flows from Investing Activities					
Interest Received	2,192	-	1,546	259	3,997
Sale (Purchase) of Investments	461	-	(4,546)	(259)	(4,344)
Net Cash Provided by (Used in) Investing Activities	2,653	-	(3,000)	-	(347)
Net Increase in Cash and Cash Equivalents	30,959	-	-	-	30,959
Cash and Cash Equivalents, Beginning of Year	186,396	50	-	-	186,446
Cash and Cash Equivalents, End of Year	\$ 217,355	\$ 50	\$ -	\$ -	\$ 217,405

The accompanying notes are an integral part of these financial statements.

TOWN OF MADISONVILLE, LOUISIANA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

Statement I (Continued)

	Gas Fund	Water Fund	Sewer Fund	Garbage Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$ 312,372	\$ (25,748)	\$ (130,248)	\$ 744	\$ 157,120
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Depreciation	146,493	5,927	60,609	-	213,029
Changes in Assets and Liabilities					
Decrease (Increase) in Accounts Receivable	50,177	(1,465)	31,723	(900)	79,535
(Decrease) Increase in Accounts Payable	(46,636)	578	(2,865)	(6,343)	(55,266)
Increase in Customer Deposits	3,512	734	-	-	4,246
Net Cash Provided by (Used in) Operating Activities	\$ 465,918	\$ (19,974)	\$ (40,781)	\$ (6,499)	\$ 398,664
Reconciliation of Total Cash and Cash Equivalents					
Cash and Cash Equivalents	\$ 50,301	\$ 50	\$ -	\$ -	\$ 50,351
Restricted Cash	167,054	-	-	-	167,054
Total Cash and Cash Equivalents	\$ 217,355	\$ 50	\$ -	\$ -	\$ 217,405

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Introduction

The Town of Madisonville, Louisiana (the Town), was incorporated in 1817, under the provisions of a special charter. The Town operates under a Mayor-Board of Aldermen form of government and provides the following services: public safety, highways and streets, sanitation and utilities, recreation, public improvements and general administrative services.

The accounting and reporting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of State Government Statutes and to the guides set forth in the *Louisiana Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set for in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefits/burden on the Town
- there is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for the Town's governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. This fund is used to account for all financial transactions and resources, except those that are required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service and interest income.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of a 1% sales tax dedicated to constructing, improving, maintaining and operating recreational facilities, constructing and maintaining streets, sidewalks and bridges, operating a garbage disposal center and purchasing equipment.

The Town has four proprietary funds to account for the natural gas, water, sewer and garbage collection services it provides to the residents and businesses of the Town.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, licenses and permits and other general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues for the Town's proprietary fund consist of charges to customers and users of its natural gas, water, sewer and garbage collection services. Operating expenses for the Town's proprietary fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

At the beginning of each fiscal year, an annual budget is prepared on a basis consistent with generally accepted accounting principles for all major governmental funds. At the end of the fiscal year, unexpended appropriations of these funds automatically lapse.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) The Mayor, Board of Aldermen, Town Clerk and other advisory personnel assemble the necessary financial information.
- b) The proposed budget is made available for public inspection.
- c) A public hearing is held for any recommendations or changes to the budget. The budget is legally adopted through passage of an ordinance by the Board of Aldermen.

The Town does not utilize encumbrance accounting.

Cash and Investments

Cash includes amounts in demand deposits. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The municipality may invest in United States bonds, treasury notes or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Cash and cash equivalents consist of cash, as defined above, including restricted cash.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on November 1st and are due and payable on or before January 1st of the following year. All unpaid taxes become delinquent on March 31st of the following year. The Town bills and collects its own property taxes. The Town recognizes property tax revenues when levied, to the extent that they are determined to be collectible.

For the year ended June 30, 2009, the Town levied taxes of 8.59 mills that were dedicated to the General Fund.

Sales Taxes

The Town imposes a two percent sales and use tax. One percent of this tax is dedicated for particular purposes and is accounted for in a special revenue fund. The other one percent is unrestricted and is included in the General Fund.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Accumulated Unpaid Vacation Leave and Sick Pay

Town employees earn one week of vacation leave after one year of service, and two weeks of vacation leave after four years of service. Any vacation not taken at the end of the year is forfeited. Upon termination of service, employees are paid for unused vacation leave. The Town employees earn one day per month of sick leave, which can be accumulated up to thirty days. Sick leave is forfeited upon termination. There was no material accumulated vacation leave as of June 30, 2009, for which the Town would be held liable.

Accounts Receivable

Outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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 was \$15,000 at June 30, 2009.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$2,500 or more for capitalizing assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives, are not capitalized.

Capital outlays are recorded as expenditures in the governmental fund financial statements and as assets in the government-wide financial statements, to the extent the Town's capitalization threshold is met. In accordance with GASB Statement No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments*, the Town has elected not to capitalize infrastructure retroactively. Depreciation is recorded on general capital assets on a government-wide basis. Capital outlays of the proprietary funds are recorded as capital assets and depreciated over their estimated useful lives on both the fund basis and the government-wide basis.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Useful Lives
Buildings and Building Improvements	20 - 40 Years
Utility Systems	30 - 40 Years
Furniture and Fixtures	7 Years
Vehicles	5 Years
Equipment	3 - 15 Years

Fund Equity

Government-Wide Statements - Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Net assets with constraints placed on the use either by:
 - a. external groups such as creditors, grantors, contributors or laws or regulations of other governments, or
 - b. law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted net assets" or "invested in capital assets, net of related debt."

Fund Statements - Governmental fund equity is classified as unreserved fund balance.

Interfund Transactions

Permanent re-allocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 2. Stewardship, Compliance and Accountability

Deposit and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The Town is in compliance with the deposit and investment laws and regulations.

Deficit Fund Balance

As of June 30, 2009, no funds had a deficit fund balance.

Note 3. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash balances of all funds are pooled into a common account to the extent possible. Each fund's portion of the pooled cash is included as equity or deficit in pooled cash on the accompanying Statement of Net Assets and Balance Sheet.

At year-end, the carrying amount of the Town's bank deposits was \$1,319,200 (including \$167,054 of restricted cash).

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$876,609 of the Town's bank balance of \$1,376,609 was exposed to custodial credit risk. However, these deposits are secured from risk by the pledge of securities owned by the fiscal agent bank. These securities are being held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to the Town and the fiscal agent bank.

Note 4. Investments

Investments of \$886,265, which are stated at market using published market quotes of June 30, 2009, consist of shares in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 4. Investments (Continued)

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk and foreign currency risk for all public entity investments.

LAMP is a money-market like investment pool. The following facts are relevant for money market-like investment pools:

- *Credit Risk:* LAMP is rated AAAM by Standard & Poor's.
- *Custodial Credit Risk:* LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- *Concentration of Credit Risk:* Pooled investments are excluded from the five percent disclosure requirement.
- *Interest Rate Risk:* Money market-like investment pools are excluded from this disclosure requirement, per paragraph 15 of the GASB Statement No. 40.
- *Foreign Currency Risk:* Not applicable to money market-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 5. Receivables

The net receivables at June 30, 2009, are as follows:

	General Fund	Special Revenue Fund	Propriety Funds	Total
Taxes				
Sales and Use	\$ 57,790	\$ 57,790	\$ -	\$ 115,580
Franchise	15,849	-	-	15,849
Utility Accounts				
Sales	-	-	143,955	143,955
Grants	-	-	33,250	33,250
Total	\$ 73,639	\$ 57,790	\$ 177,205	\$ 308,634

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Total allowance for doubtful accounts amounted to \$15,000 for the business -type activities.

Note 6. Bond Issuance Costs

During the year ended June 30, 2008, the Town incurred costs of \$27,551 to issue Utility Bonds. These costs are being amortized over the life of the bonds. The unamortized amount of these costs totaled \$23,817 at June 30, 2009.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 7. Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Depreciated				
Land	\$ 698,792	\$ -	\$ 47,151	\$ 651,641
Total Capital Assets Not Depreciated	698,792	-	47,151	651,641
Capital Assets Being Depreciated				
Automobiles	421,768	21,825	-	443,593
Recreation Equipment	190,414	-	-	190,414
Equipment	142,500	-	-	142,500
Office Equipment and Furniture	30,960	-	-	30,960
Buildings and Improvements	265,137	-	-	265,137
Street and Sidewalk Improvements	697,474	18,084	-	715,558
Other	3,072	-	-	3,072
Total Capital Assets Being Depreciated	1,751,327	39,909	-	1,791,234
Less Accumulated Depreciation for:				
Automobiles	(313,414)	(44,036)	-	(357,450)
Recreation Equipment	(154,063)	(2,499)	-	(156,562)
Equipment	(36,289)	(12,143)	-	(48,432)
Office Equipment and Furniture	(30,027)	(533)	-	(30,560)
Buildings and Improvements	(149,921)	(11,066)	-	(160,987)
Street and Sidewalk Improvements	(9,523)	(17,701)	-	(27,224)
Other	(3,072)	-	-	(3,072)
Total Accumulated Depreciation	(696,311)	(87,978)	-	(784,287)
Total Capital Assets Being Depreciated, Net	1,055,016	(48,069)	-	1,006,947
Total	\$ 1,753,808	\$ (48,069)	\$ 47,151	\$ 1,658,588

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 7. Capital Assets (Continued)

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Business-Type Activities				
Capital Assets Not Depreciated				
Land	\$ 138,149	\$ -	\$ -	\$ 138,149
Total Capital Assets Not Depreciated	138,149	-	-	138,149
Capital Assets Being Depreciated				
Gas Distribution System	4,321,304	33,788	-	4,355,092
Water Distribution System	242,203	-	-	242,203
Sewer Plant and Lines	2,269,961	38,790	-	2,308,751
Total Capital Assets Being Depreciated	6,833,468	72,578	-	6,906,046
Less Accumulated Depreciation for:				
Gas Distribution System	(652,532)	(146,493)	-	(799,030)
Water Distribution System	(179,831)	(5,927)	-	(185,758)
Sewer Plant and Lines	(880,987)	(60,609)	-	(941,596)
Total Accumulated Depreciation	(1,713,350)	(213,029)	-	(1,926,384)
Total Capital Assets Being Depreciated, Net	5,120,114	(140,451)	-	4,979,662
Total	\$ 5,258,263	\$ (140,451)	\$ -	\$ 5,117,811

Depreciation was charged to governmental functions as follows for the year ended June 30, 2009:

Recreation	\$ 7,107
Public Safety - Police	14,140
Public Works - Street Maintenance	60,906
General Government - Town Hall	5,825
Total	\$ 87,978

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan

Municipal Employees Retirement System of Louisiana (the System)

Plan Description and Provisions

All of the Town's full-time employees, other than police employees, participate in the System, a multiple-employer, cost-sharing defined benefit pension plan. The System is composed of two distinct plans, Plan A and Plan B, with separate asset and benefit provisions. All participant employees of the Town are members of Plan B.

Eligibility

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five (35) hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

Retirement Benefits

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

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

Survivor's Benefits

Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

For any member of Plan B who is eligible for normal retirement at time of death, the surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

For any member of Plan B who had not withdrawn their accumulated contributions and had at least twenty (20) years of creditable service at time of death, the surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

DROP Benefits

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

DROP Benefits (Continued)

During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Disability Benefits

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service; in which he would receive a regular retirement under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten (10) years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater; or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

Cost of Living Increases

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed two percent of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five (65) and above equal to two percent of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after this date.

Deferred Benefits

Both plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

Description of Funding Policy

The System's contribution requirements are not actuarially determined. Instead, the contribution requirements are currently established by statute. As of June 30, 2009, the statutory rates were 5.00% member contribution and 6.75% employer contribution of the total covered payroll. The Town's contribution requirement for the years ended June 30, 2009, 2008 and 2007, was \$27,269, \$26,559 and \$33,337, respectively, equal to the required contributions for each year.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

Description of Funding Policy (Continued)

Questions concerning any of the information provided or requests for additional financial information should be addressed to Robert Rust, Administrative Director, Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, LA 70809.

Note 9. Lake Pontchartrain Basin Maritime Museum

On May 31, 1996, the Town entered into a management agreement with the Lake Pontchartrain Basin Maritime Museum, Inc. (the Museum), a non-profit corporation, whereby the Town allows the Museum to use a portion of land for the construction and operation of a museum. The term of the agreement is for ninety-nine years. The Town retains title of the land along with any improvements constructed by the Museum. The Town also retains any liabilities related to defects at the time of the agreement. The Museum agrees to incur all necessary expenditures related to operation of the Museum. An addendum to this agreement was signed on March 9, 2001, whereby the Town also allows the Museum usage of a portion of land for a parking lot. During the year ended June 30, 2002, the United States Coast Guard donated the Madisonville Lighthouse to the Town. On May 24, 2002, the Town entered into another agreement with the Museum, whereby the Town allows the Museum the use of the Lighthouse and the Museum agrees to preserve and restore the Lighthouse.

Note 10. Pledged Assets

The Town has a letter of credit agreement totaling \$10,000 in favor of St. Tammany Parish. The letter of credit guarantees the correction of damages that may occur while work is being performed on the gas system outside the Town of Madisonville, Louisiana, city limits. As of June 30, 2009, the line of credit has not been drawn upon.

Note 11. Contingent Liabilities

The Town is a defendant in several lawsuits, which are currently pending. The majority of the cases are covered by insurance and, in the opinion of legal counsel for the Town the result of these cases is probable that a judgment against the Town will occur.

On May 13, 2008, the Town was notified by the St. Tammany Parish Tax Collector that a business located outside of the Town's boundaries had been paying its sales taxes to the Town. For the period of January 1998 through September 2007, the Sheriff estimated that the business incorrectly paid \$214,570 to the Town instead of the Parish of St. Tammany, but no final determination has been made. The Town is currently negotiating a settlement with the Tax Collector and St. Tammany Parish Council.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 12. Long-Term Liabilities

The following is a summary of long-term debt transactions and total long-term liabilities of the Town for the year ended June 30, 2009:

	Revenue Bonds
Balance at July 1, 2008	\$ 2,147,000
<i>Proceeds</i>	-
Retirements	<u>(113,000)</u>
Balance at June 30, 2009	<u><u>\$ 2,034,000</u></u>

Revenue Bonds

\$1,057,000 Gas Utility Bonds dated July 24, 2006, due in annual installments with semi-annual interest payments at 4.30% per annum through December 1, 2021, secured by the revenues of the Gas Fund. \$ 951,000

\$743,000 Gas Utility Bonds dated July 24, 2006, due in annual installments with semi-annual interest payments at 5.75% per annum through December 1, 2021, secured by the revenues of the Gas Fund. 676,000

\$432,000 Gas Utility Bonds dated December 1, 2006, due in annual installments with semi-annual interest payments at 4.4% per annum through December 1, 2021, secured by the revenues of the Proprietary Fund. 407,000

Total \$ 2,034,000

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 12. Long-Term Liabilities (Continued)

The future debt service requirements of the bonds are as follows:

	Revenue Bonds	
	Principal	Interest
For the Year Ended:		
2010	\$ 117,000	\$ 93,122
2011	123,000	88,104
2012	128,000	82,813
2013	134,000	76,896
2014	140,000	70,333
2015 - 2019	807,000	241,696
2020 - 2022	585,000	43,135
Total	\$ 2,034,000	\$ 696,099

Note 13. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2009, the Town carried insurance through various commercial carriers to cover all risks of losses. The Town has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

Note 14. Restricted Assets

On July 24, 2006, the Town issued \$1,800,000 of Gas Utility Revenue Bonds and on December 1, 2006, the Town issued \$432,000 of Gas Utility Revenue Bonds. The proceeds of these bonds were used to extend and improve the Town's gas lines and system. The bond resolution of these issues requires the Town to restrict and maintain the following funds:

Revenue Bond Sinking Fund

The requirement calls for the establishment and maintenance of a Sewer Utility Revenue Bond Sinking Fund sufficient to pay promptly and in full the principal of and the interest on bonds authorized as they become due and payable. This requirement has been met as of June 30, 2009.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 14. Restricted Assets (Continued)

Revenue Bond Reserve Fund

The Town is required to deposit monthly ten percent of the amount to be deposited in the sinking fund until the reserve requirement is equal to the reserve fund requirement. This fund is restricted to be used to pay bonds in case of default. This requirement has been met as of June 30, 2009.

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 gas system. Regular deposits equal to five percent of the amount to be deposited in the sinking fund per month are to be deposited with the regularly designated fiscal agent of the Town. This requirement has been met at June 30, 2009.

Note 15. Commitments

During the year ended June 30, 2007, the Town agreed to a settlement of a claim related to a building permit issued to a resident. The resident built a dwelling below the flood elevation requirement. The resident claimed that the Town should have required the dwelling to be built at or above the flood elevation requirement. The Town has reached an agreement with the resident.

The Town agreed to pay the flood insurance premium for as long as the resident inhabits the dwelling. When the resident decides to permanently vacate the dwelling, the Town has agreed to pay the property owner an amount equal to the appraised value of the dwelling (not including land value), pay for the demolition of the dwelling, and fill and grade the property.

The total cost to satisfy this agreement cannot be determined at this time.

Note 16. Special Items

In July 2008, the Town donated a parcel of land to the St. Tammany Parish Council for use as a site for a new library. This donation is reported as a special item in the Statement of Activities. In return, the Town subsequently expects to receive the current library site and the building which housed the library. However, the Town cannot estimate when the site will be received.

TOWN OF MADISONVILLE, LOUISIANA

Notes to Financial Statements

Note 17. Interfund Receivables/Payables

The primary purpose of interfund receivables/payables is to loan monies between funds to cover current expenditures. Individual fund balances due from/to other funds at June 30, 2009, are as follows:

<u>Equity/Deficit in Pooled Cash</u>	<u>Equity In</u>	<u>Deficit In</u>
General Fund		
Sales Tax Fund	\$ -	\$ 386,843
Natural Gas Fund	320,895	-
Water Fund	-	26,368
Sewer Fund	178,560	-
Garbage Fund	-	3,513
Total General Fund	499,455	416,724
Sales Tax Fund		
General Fund	386,843	-
Natural Gas Fund		
General Fund	-	320,895
Water Fund		
General Fund	26,368	-
Sewer Fund		
General Fund	-	178,560
Natural Gas Fund		
General Fund	3,513	-
Total All Funds	\$ 916,179	\$ 916,179
<hr/>		
<u>Due To/From Other Funds</u>	<u>Due From</u>	<u>Due To</u>
General Fund		
Sales Tax fund	\$ -	\$ 249,971
Sales Tax Fund		
General Fund	249,971	-
Total All Funds	\$ 249,971	\$ 249,971

All interfund receivables/payables are considered short-term, as they are expected to be repaid within the next fiscal year.

**REQUIRED SUPPLEMENTAL INFORMATION (PART II)
BUDGETARY COMPARISON SCHEDULES**

TOWN OF MADISONVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2009

Schedule I

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes				
Sales Taxes	\$ 400,000	\$ 333,500	\$ 359,406	\$ 25,906
Property Taxes	85,000	102,000	101,690	(310)
Franchise Taxes	60,000	54,000	52,652	(1,348)
Other	-	-	5,024	5,024
Licenses and Permits	130,000	159,000	165,540	6,540
Fines and Forfeitures	18,000	32,000	30,147	(1,853)
Other Revenues	25,000	28,500	10,527	(17,973)
Boat Trailer Permits	6,000	9,000	9,316	316
Community Center Rentals	8,500	9,200	9,200	-
Interest Income	-	-	7,619	7,619
Donations	-	-	6,750	6,750
Intergovernmental Grants	-	800	794	(6)
Total Revenues	732,500	728,000	758,665	30,665
Expenditures				
Current				
Salaries	112,000	98,000	98,163	(163)
Police Expenses	295,000	382,300	381,446	854
Insurance	75,000	68,000	76,953	(8,953)
Aldermen Fees	57,000	57,000	57,000	-
Auto and Truck	30,000	36,000	33,400	2,600
Utilities	28,000	28,800	31,591	(2,791)
Other	80,000	56,400	28,452	27,948
Repairs and Maintenance	18,000	15,400	25,242	(9,842)
Legal Fees	8,000	6,100	13,057	(6,957)
Payroll Taxes	15,500	11,400	11,398	2
Pension Expense	7,200	7,200	6,893	307
Accounting and Auditing	5,000	3,900	3,912	(12)
Advertising	-	-	1,638	(1,638)
Total Expenditures	730,700	770,500	769,145	1,355
Change in Fund Balance	\$ 1,800	\$ (42,500)	(10,480)	\$ 32,020
Fund Balance, Beginning of Year			<u>766,371</u>	
Fund Balance, End of Year			<u>\$ 755,891</u>	

TOWN OF MADISONVILLE, LOUISIANA
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended June 30, 2009

Schedule II

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes				
Sales and Use	\$ 400,000	\$ 333,500	\$ 359,406	\$ 25,906
Interest Income	30,000	13,000	12,784	(216)
Intergovernmental Grants	-	3,965	3,964	(1)
Total Revenues	430,000	350,465	376,154	25,689
Expenditures				
Current				
Salaries	130,000	122,600	102,716	19,884
Repairs and Maintenance	50,000	66,000	45,090	20,910
Legal Fees	-	19,000	19,280	(280)
Insurance	-	6,400	13,547	(7,147)
Recreation	15,000	10,000	10,140	(140)
Payroll Taxes	-	-	7,889	(7,889)
Hurricane Recovery Costs	-	5,332	5,332	-
Pension Expense	-	-	4,795	(4,795)
Accounting and Auditing	5,000	3,800	3,756	44
Small Tools	50,000	22,000	-	22,000
Capital Outlays	50,000	1,500	41,380	(39,880)
Total Expenditures	300,000	256,632	253,925	2,707
Change in Fund Balance	\$ 130,000	\$ 93,833	122,229	\$ 28,396
Fund Balance, Beginning of Year			1,550,840	
Fund Balance, End of Year			\$ 1,673,069	

OTHER SUPPLEMENTAL INFORMATION

TOWN OF MADISONVILLE, LOUISIANA
Schedule of Compensation
For the Year Ended June 30, 2009

<u>Aldermen</u>	<u>Term Expires</u>	<u>Compensation</u>
Peter L. Gitz, Mayor P.O. Box 122 Madisonville, LA 70447	June 30, 2012	\$ 24,000
Mark D. Badeaux P.O. Box 156 Madisonville, LA 70447	June 30, 2012	\$ 6,600
Timothy Bounds P.O. Box 835 Madisonville, LA 70447	June 30, 2012	\$ 6,600
James Bouey P.O. Box 142 Madisonville, LA 70447	June 30, 2012	\$ 6,600
Jerry Lange P.O. Box 393 Madisonville, LA 70447	June 30, 2012	\$ 6,600
Lawrence P. Ostendorf P.O. Box 37 Madisonville, LA 70447	June 30, 2012	\$ 6,600

OTHER REPORTS



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

To the Honorable Peter Gitz, Mayor
and Members of the Board of Aldermen
Town of Madisonville, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Madisonville, Louisiana, as of and for the year ended June 30, 2009, which collectively comprise the Town of Madisonville, Louisiana's basic financial statements and have issued our report thereon dated September 14, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Madisonville, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Madisonville, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Madisonville, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Madisonville, Louisiana's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Madisonville, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the Town of Madisonville, Louisiana's internal control. We consider the deficiency described as 2009 - 1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Madisonville, Louisiana's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Madisonville, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matter that is required to be reported under *Government Auditing Standards* and is described as item 2009 - 1 in the accompanying schedule of findings and responses.

The Town of Madisonville, Louisiana's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Madisonville, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the Town of Madisonville, Louisiana, federal awarding agencies and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute (LRS) 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

September 14, 2009

TOWN OF MADISONVILLE, LOUISIANA
Schedule of Findings and Responses
For the Year Ended June 30, 2009

2009 - 1 Inadequate Controls Over Capital Assets

Criteria: LRS 39:324 requires each governmental entity to perform an annual inventory of capital assets. Also, an annual inventory of capital assets and tagging of assets to indicate ownership are necessary controls to ensure that assets are safeguarded from loss.

Condition: During our walkthrough of internal controls over capital assets, it was determined that a physical inventory of capital assets had not been taken in recent years. Also, the client had failed to tag the assets with an asset tag in order to better track the physical assets.

Cause: The condition noted above appears to be caused by management oversight.

Effect: Non-compliance with LRS 39:324 and inadequate controls over capital assets.

Recommendation: We recommend that the Town inventory its capital assets on an annual basis and that all assets be tagged to indicate ownership.

Management's Response: The Town will conduct annual inventories of capital assets in the future. The Town will also tag each inventoried asset to indicate ownership.

TOWN OF MADISONVILLE, LOUISIANA
Schedule of Prior Year's Findings
For the Year Ended June 30, 2009

2008 - 1 Inadequate Controls Over Traffic Tickets

Status: This condition has been resolved.

2008 - 2 Inadequate Controls Over Capital Assets

Status: This condition has been continued as item 2009 - 1.