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TOWN OF DELHI, LOUISIANA

FINANCIAL REPORT

SEPTEMBER 30, 2001

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Release Date 3/27/02

TOWN OF DELHI, LOUISIANA

FINANCIAL REPORT
SEPTEMBER 30, 2001

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TOWN OF DELHI, LOUISIANA

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SEPTEMBER 30, 2001

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MARTIN, HARRISON & SMALLWOOD, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

December 7, 2001

The Honorable Billy Dartlone, Mayor,
and the Members of the Board of Aldermen
Delhi, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Delhi, Louisiana, as of and for the year ended September 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Delhi, Louisiana's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Delhi, Louisiana, as of September 30, 2001, and the results of its operations and cash flows of its proprietary fund type 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 December 7, 2001, on our consideration of the Town of Delhi, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Martin, Harrison & Smallwood, LLP

TOWN OF DELHI, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2001

	GOVERNMENTAL FUND TYPES		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>
ASSETS			
Cash	115,327	506,358	-
Certificates of deposit	310,375	231,330	-
Investment in Louisiana Asset Management Pool	-	176,638	-
Receivables			
Services	-	-	-
Rent	2,025	-	-
Accrued interest	2,554	4,000	-
Franchise & privilege fees	17,653	-	-
Sales tax	-	38,679	-
Other taxes	4,729	-	-
Grant	-	32,519	-
Employees	403	-	-
Due from other funds	185,006	8,368	-
Other assets			
Meter deposits	10	-	-
Prepaid insurance	2,037	-	-
Restricted Assets:			
Cash	-	-	-
Certificates of deposit	17,413	-	-
Construction in progress	-	-	-
Contract receivable from Tifton	-	-	-
Investment in Louisiana Asset Management Pool	-	67,911	-
Fixed assets	-	-	-
Amount to be provided (in excess) for retirement of long-term debt	-	-	-
TOTAL ASSETS	<u>657,532</u>	<u>1,065,803</u>	<u>-</u>

(Continued)

See accompanying notes to financial statements.

PROPRIETARY FUND TYPE ENTERPRISE FUND (WATER SYSTEM)	ACCOUNT GROUPS		2001	2000
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTALS (MEMORANDUM ONLY)	TOTALS (MEMORANDUM ONLY)
57,814	-	-	679,499	448,075
356,658	-	-	898,363	1,215,469
-	-	-	176,638	33,796
80,745	-	-	80,745	96,367
-	-	-	2,025	-
4,562	-	-	11,116	16,434
-	-	-	17,653	23,081
-	-	-	38,679	42,474
-	-	-	4,729	-
-	-	-	32,519	4,280
-	-	-	403	-
73,660	-	-	267,034	65,087
-	-	-	10	10
-	-	-	2,037	-
21,529	-	-	21,529	72,391
146,007	-	-	163,420	118,110
-	-	-	-	954,168
-	-	-	-	12,091
-	-	-	67,911	421,385
2,389,811	10,835,150	-	13,224,961	11,488,086
-	-	1,088,000	1,088,000	1,196,000
<u>3,130,786</u>	<u>10,835,150</u>	<u>1,088,000</u>	<u>16,777,271</u>	<u>16,207,304</u>

TOWN OF DELHI, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2001

(Continued)

	GOVERNMENTAL FUND TYPES		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	35,523	83,615	-
Refunds payable - Due to Tifton	-	10,708	-
Payroll taxes payable	2,548	22	-
Due to retirement systems	5,541	378	-
Due other funds	73,660	185,006	-
Certificates of indebtedness	-	-	-
Payable from restricted assets:			
Customer deposits	-	-	-
TOTAL LIABILITIES	<u>117,272</u>	<u>279,729</u>	-
FUND EQUITY			
Contributed capital - grants	-	-	-
Investment in general fixed assets	-	-	-
Retained earnings			
Reserved for:			
Insurance claims	-	-	-
Unreserved	-	-	-
Fund balance			
Reserved for streets, drainage and other capital improvements	-	13,506	-
Reserved for recreation improvements	-	54,405	-
Reserved per sales tax ordinance	-	830,858	-
Unreserved			
Designated for community and economic development	17,413	60,820	-
Designated for Billy Bryan Park improvements	-	-	-
Undesignated	522,847	(173,515)	-
TOTAL FUND EQUITY	<u>540,260</u>	<u>786,074</u>	-
TOTAL LIABILITIES AND FUND EQUITY	<u>657,532</u>	<u>1,065,803</u>	-

(Concluded)

See accompanying notes to financial statements.

PROPRIETARY FUND TYPE ENTERPRISE FUND (WATER SYSTEM)	ACCOUNT GROUPS		2001	2000
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTALS (MEMORANDUM ONLY)	TOTALS (MEMORANDUM ONLY)
16,107	-	-	135,245	64,795
-	-	-	10,708	-
52	-	-	2,622	3,293
2,233	-	-	8,152	7,141
8,368	-	-	267,034	65,087
-	-	1,088,000	1,088,000	1,196,000
<u>54,331</u>	<u>-</u>	<u>-</u>	<u>54,331</u>	<u>56,365</u>
<u>81,091</u>	<u>-</u>	<u>1,088,000</u>	<u>1,566,092</u>	<u>1,392,681</u>
2,329,049	-	-	2,329,049	2,329,049
-	10,835,150	-	10,835,150	8,997,093
113,205	-	-	113,205	115,455
607,441	-	-	607,441	691,246
-	-	-	13,506	1,335,894
-	-	-	54,405	51,750
-	-	-	830,858	769,548
-	-	-	78,233	69,256
-	-	-	-	2,276
-	-	-	349,332	453,056
<u>3,049,695</u>	<u>10,835,150</u>	<u>-</u>	<u>15,211,179</u>	<u>14,814,623</u>
<u>3,130,786</u>	<u>10,835,150</u>	<u>1,088,000</u>	<u>16,777,271</u>	<u>16,207,304</u>

TOWN OF DELHI, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE
REVENUES				
Taxes	97,067	502,783	-	-
Fines	72,996	-	-	-
Licenses & permits	113,104	-	-	-
Franchise & privilege fees	75,375	-	-	-
Rent & leases	42,412	19,200	-	-
Oil & gas royalties	1,204	-	-	-
Garbage collection	165,999	-	-	-
Highway maintenance	8,620	-	-	-
Parish insurance rebates	7,021	-	-	-
Interest	24,333	38,285	-	-
Grants	53,624	152,562	-	-
Recreational facilities	16,995	-	-	-
Tobacco tax	-	-	-	-
Miscellaneous	45,250	-	-	-
Police supplemental pay	14,400	-	-	-
TOTAL REVENUES	<u>738,400</u>	<u>712,830</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current				
Administrative	133,250	11,771	-	-
Public works/safety	288,414	5,504	-	-
Streets, drainage & other capital improvements	167,334	71,060	-	-
General	319,017	19,996	-	-
Recreation	-	67,474	-	-
Capital outlay	56,370	1,781,686	-	-
Debt service	-	-	-	108,000
TOTAL EXPENDITURES	<u>964,385</u>	<u>1,957,491</u>	<u>-</u>	<u>108,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(225,985)</u>	<u>(1,244,661)</u>	<u>-</u>	<u>(108,000)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	294,508	1,423,349	99,546	108,000
Operating transfers out	-	(278,854)	(1,423,349)	-
	<u>294,508</u>	<u>1,144,495</u>	<u>(1,323,803)</u>	<u>108,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	68,523	(100,166)	(1,323,803)	-
FUND BALANCES - BEGINNING	<u>471,737</u>	<u>886,240</u>	<u>1,323,803</u>	<u>-</u>
FUND BALANCES - ENDING	<u>540,260</u>	<u>786,074</u>	<u>-</u>	<u>-</u>

See accompanying notes to financial statements.

<u>2001</u> <u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>	<u>2000</u> <u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
599,850	597,981
72,996	95,010
113,104	108,515
75,375	64,501
61,612	58,412
1,204	3,275
165,999	153,653
8,620	8,162
7,021	6,693
62,618	57,538
206,186	166,600
16,995	15,478
-	12,073
45,250	12,566
14,400	19,370
<u>1,451,230</u>	<u>1,379,827</u>
145,021	150,016
293,918	290,918
238,394	416,894
339,013	345,025
67,474	62,248
1,838,056	1,176
108,000	104,000
<u>3,029,876</u>	<u>1,370,277</u>
<u>(1,578,646)</u>	<u>9,550</u>
1,925,403	1,670,415
(1,702,203)	(1,486,690)
<u>223,200</u>	<u>183,725</u>
(1,355,446)	193,275
<u>2,681,780</u>	<u>2,488,505</u>
<u>1,326,334</u>	<u>2,681,780</u>

TOWN OF DELHI, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes		97,067	
Fines		72,996	
Licenses & permits		113,104	
Franchise & privilege fees		75,375	
Rent & leases		42,412	
Oil & gas royalties		1,204	
Garbage collection		165,999	
Highway maintenance		8,620	
Parish insurance rebates		7,021	
Interest		24,333	
Grants		53,624	
Recreational facilities		16,995	
Miscellaneous		45,250	
Police supplemental pay		14,400	
TOTAL REVENUES	<u>686,800</u>	<u>738,400</u>	<u>51,600</u>
EXPENDITURES			
Current			
Administrative	146,000	133,250	12,750
Public works/safety	296,600	288,414	8,186
Streets, drainage & other capital improvements	176,100	167,334	8,766
General	308,800	319,017	(10,217)
Recreation	-	-	-
Capital outlay	-	56,370	(56,370)
TOTAL EXPENDITURES	<u>927,500</u>	<u>964,385</u>	<u>(36,885)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(240,700)	(225,985)	14,715
OTHER FINANCING SOURCES (USES)			
Operating transfers in	240,700	294,508	53,808
Operating transfers out	-	-	-
	<u>240,700</u>	<u>294,508</u>	<u>53,808</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	68,523	<u>68,523</u>
FUND BALANCES - BEGINNING	-	<u>471,737</u>	
FUND BALANCES - ENDING	-	<u>540,260</u>	

See accompanying notes to financial statements.

SPECIAL REVENUE FUND TYPES

<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	502,783	
	-	
	-	
	19,200	
	-	
	-	
	38,285	
	152,562	
	-	
	-	
<u>562,270</u>	<u>712,830</u>	<u>150,560</u>
	11,771	
	5,504	
	71,060	
	19,996	
	67,474	
	1,781,686	
<u>562,270</u>	<u>1,957,491</u>	<u>(1,395,221)</u>
-	(1,244,661)	(1,244,661)
-	1,423,349	1,423,349
-	(278,854)	(278,854)
-	<u>1,144,495</u>	<u>1,144,495</u>
-	(100,166)	<u>(100,166)</u>
-	<u>886,240</u>	
-	<u>786,074</u>	

TOWN OF DELHI, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - PROPRIETARY FUND TYPE - ENTERPRISE
FUND (WATER SYSTEM)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

OPERATING REVENUES	
Water charges	409,404
Sewer charges	192,503
Tifton waste treatment fees	21,459
Reconnect & tap fees	1,255
Miscellaneous	2,539
TOTAL OPERATING REVENUES	<u>627,160</u>
OPERATING EXPENSES	
Bad debts	11,899
Depreciation	102,627
Engineering fees	2,517
Insurance	30,979
Legal & professional fees	8,465
Miscellaneous	10,148
Office expense	6,415
Repair & maintenance	25,966
Retirement	4,138
Salaries	117,405
Supplies	83,864
Payroll taxes	9,490
Employee uniforms	3,592
Utilities	84,302
Vehicle maintenance	12,436
Water & sewer analysis	5,344
TOTAL OPERATING EXPENSES	<u>519,587</u>
OPERATING INCOME	107,573
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	29,572
	<u>29,572</u>
INCOME BEFORE OPERATING TRANSFERS	137,145
OPERATING TRANSFERS IN	-
OPERATING TRANSFERS OUT	<u>(223,200)</u>
NET INCOME (LOSS)	(86,055)
RETAINED EARNINGS - BEGINNING	<u>806,701</u>
RETAINED EARNINGS - ENDING	<u><u>720,646</u></u>

See accompanying notes to financial statements.

TOWN OF DELHI, LOUISIANA
 STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND TYPE - ENTERPRISE FUND (WATER SYSTEM)
 FISCAL YEAR ENDED SEPTEMBER 30, 2001

<u>OPERATING ACTIVITIES</u>	
Operating income	107,573
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	102,627
Bad debts	11,899
Decrease (increase) in:	
Accounts receivable	15,622
Accrued interest	1,117
Due from other funds	(33,804)
Increase (decrease) in:	
Accounts payable	256
Accrued expenses	-
Customer deposits	(2,034)
Net cash provided by (used in) operating activities	<u>203,256</u>
<u>INVESTING ACTIVITIES</u>	
Interest revenue	29,572
Purchase of certificates of deposit	(502,665)
Redemption of certificates of deposit	484,714
Net cash provided by (used in) investing activities	<u>11,621</u>
<u>CAPITAL FINANCING ACTIVITIES</u>	
Purchase of fixed assets	1,445
Net cash provided by (used in) capital financing activities	<u>1,445</u>
<u>NON-CAPITAL FINANCING ACTIVITIES</u>	
Operating transfers in	-
Operating transfers out	(223,200)
Net cash provided by (used in) non-capital financing activities	<u>(223,200)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,878)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>86,221</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>79,343</u>
<u>CASH AND CASH EQUIVALENTS AS SHOWN ON THE COMBINED BALANCE SHEET</u>	
Cash	57,814
Restricted cash	<u>21,529</u>
	<u>79,343</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>	
Cash paid during the year for:	
Interest	None

See accompanying notes to financial statements.

TOWN OF DELHI, LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
 BUDGET (GAAP BASIS) AND ACTUAL -
 PROPRIETARY FUND TYPE - ENTERPRISE FUND (WATER SYSTEM)
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUES			
Water charges		409,404	
Sewer charges		192,503	
Tifton waste treatment fees		21,459	
Reconnect & tap fees		1,255	
Miscellaneous		2,539	
TOTAL OPERATING REVENUE	<u>600,600</u>	<u>627,160</u>	<u>26,560</u>
OPERATING EXPENSES			
Bad debt		11,899	
Depreciation		102,627	
Engineering fees		2,517	
Insurance		30,979	
Legal & professional fees		8,465	
Miscellaneous		10,148	
Office expense		6,415	
Repair & maintenance		25,966	
Retirement		4,138	
Salaries		117,405	
Supplies		83,864	
Payroll taxes		9,490	
Employee uniforms		3,592	
Utilities		84,302	
Vehicle maintenance		12,436	
Sewer plant expense		-	
Water & sewer analysis		5,344	
TOTAL OPERATING EXPENSES	<u>430,000</u>	<u>519,587</u>	<u>(89,587)</u>
OPERATING INCOME	170,600	107,573	(63,027)
NON-OPERATING REVENUE (EXPENSES)			
Interest revenue	19,000	29,572	10,572
	<u>19,000</u>	<u>29,572</u>	<u>10,572</u>
INCOME BEFORE OPERATING TRANSFERS	189,600	137,145	(52,455)
OPERATING TRANSFERS IN	-	-	-
OPERATING TRANSFERS OUT	<u>(189,600)</u>	<u>(223,200)</u>	<u>(33,600)</u>
NET INCOME (LOSS)	-	(86,055)	<u>(86,055)</u>
RETAINED EARNINGS - BEGINNING	-	806,701	
RETAINED EARNINGS - ENDING	<u>-</u>	<u>720,646</u>	

See accompanying notes to financial statements.

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(1) Summary of Significant Accounting Policies

The Town of Delhi, Louisiana (the Town), was incorporated under the Lawrason Act and operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town relating to the funds and account groups included in the accompanying combined financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Auditing Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section 80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Town has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the Town are described below.

A. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Town's executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body and other general oversight responsibility.

B. Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into four generic fund types under two broad categories as follows:

GOVERNMENTAL FUNDS

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

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

B. Fund Accounting - Continued

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payments of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for the financial resources used for the acquisition or construction of major capital facilities.

PROPRIETARY FUND

Enterprise Fund - This 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 governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Enterprise Fund (Water System) is accounted for on a cost of services or "capital maintenance" basis. 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.

C. Fixed Assets and Long-Term Liabilities

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the *General Fixed Assets Account Group*, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Long-term liabilities expected to be financed from governmental funds are accounted for in the *General Long-Term Debt Account Group*, not in the governmental funds.

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

C. Fixed Assets and Long-Term Liabilities - Continued

These two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on the proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. Total interest costs incurred in the Special Revenue Fund were \$59,202. Interest revenue used to offset these interest costs was \$3,871. Therefore, interest in the amount of \$55,331 was capitalized and included in capital outlays.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual or when they become measurable and available as net current assets.

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue, tobacco taxes, sales taxes and charges for services. All other revenues are recognized when they are received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

The Water System is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

E. Budgets and Budgetary Accounting

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

1. In the month of September, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at Town Hall to obtain taxpayer comments.

TOWN OF DELHI, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

E. Budgets and Budgetary Accounting - Continued

3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. Budgeted amounts are as originally adopted and amended by the Board of Aldermen.
7. All budgetary appropriations lapse at the end of each fiscal year; however, unexpended fund balances are used to fund expenditures of subsequent years.
8. Budgets for the General, Special Revenue and Proprietary Fund Type funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

F. Cash and Investments

At September 30, 2001, the Town's cash was made up of petty cash of \$318, checking and savings accounts of \$591,520, and certificates of deposit maturing in 3 months or less of \$109,190, for a total of \$701,028. Cash included in this total of \$21,529 is restricted and is shown as such on the Combined Balance Sheet - All Funds Types and Account Groups.

The Town considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Statutes allow the Town to invest in bank savings accounts and certificates of deposit provided they are adequately collateralized by the bank. The Town is also allowed to invest in obligations of the U. S. Treasury. The Town had a total in certificates of deposit, which had maturities of more than three months, of \$1,061,783. Certificates of deposit in this total of \$163,420 is restricted and is shown as such on the Combined Balance Sheet - All Funds Types and Account Groups.

The Town's cash is secured by federal depository insurance of up to \$100,000 per financial institution plus collateral held by the pledging banks or their agents with a market value of \$1,262,494 (see schedule as follows).

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

F. Cash and Investments - Continued

	<u>Cash Equivalents</u>			<u>Total</u>
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Certificates of Deposit</u>	
At September 30, 2001: Carrying Amount on Balance Sheet	<u>591,520</u>	<u>109,190</u>	<u>1,061,784</u>	<u>1,762,494</u>
<u>Bank Balances:</u>				
a: Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name</u>	<u>185,801</u>	<u>5,100</u>	<u>309,099</u>	<u>500,000</u>
b: Collateralized with securities held by pledging financial institution's trust department or agent <u>in the entity's name</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
c: Uncollateralized, including any securities held for the entity but <u>not in the entity's name</u>	<u>405,719</u>	<u>104,090</u>	<u>752,685</u>	<u>1,262,494</u>
Total Bank Balances	<u>591,520</u>	<u>109,190</u>	<u>1,061,784</u>	<u>1,762,494</u>

G. Bad Debts

Uncollectible receivables for ad valorem taxes and utilities are recognized when incurred by direct write-off. Although this is a departure from generally accepted accounting principles, historically such amounts have been immaterial.

H. Stewardship, Compliance and Accountability

Excess of expenditures over appropriations: Proprietary fund expenditures were in excess of budgeted appropriations, but did not exceed 5%.

Excess of expenditures over appropriations: Proprietary fund operating transfers out were in excess of budgeted appropriations by \$33,600, which exceeds 5%.

I. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

I. Total Columns on Combined Statements – continued

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

J. On Behalf of Payments for Salaries

Included in the General Fund financial statements are amounts paid by the State of Louisiana as supplemental salaries to the Town's policemen. The payments of \$14,400 are included on the financial statement as Revenue and Public Works/Safety Expenditures.

(2) Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable December 31. The Town bills and collects its own property taxes. Town property tax revenues are recognized when levied to the extent that they result in current receivables.

The Town is permitted by the Municipal Finance Law of the state to levy taxes up to 9.86 mills on the total assessed value for the Town for governmental services other than the payment of principal and interest on long-term debt and in required amounts for the payment of principal and interest on long-term debt.

For the year ended September 30, 2001, taxes of 9.25 mills were levied on property with assessed valuations totaling \$10,306,860 for a total of \$95,341. The taxes were dedicated as follows:

General corporate purposes	<u>9.25 mills</u>
	<u>9.25 mills</u>

(3) Property, Plant and Equipment

A summary of Enterprise Fund (Water System) property, plant and equipment at September 30, 2001 is shown below.

Land	5,718
Buildings	189,433
Water tanks, lines, wells, etc.	2,069,533
Equipment	102,998
Sewer treatment plant	<u>2,153,726</u>
	4,521,408
Less: Accumulated depreciation	<u>2,131,597</u>
	<u>2,389,811</u>

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(3) Property, Plant and Equipment - Continued

Depreciation is computed on buildings, plant and equipment based on the estimated useful lives of the assets. The straight-line method with no salvage value is used. Buildings and improvements are depreciated over 40 years; water and sewer plant and related lines are depreciated over 50 years; all other equipment is depreciated over 5 to 15 years.

CHANGES IN GENERAL FIXED ASSETS

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>
General fixed assets - beginning of year	153,354	2,192,067	5,546,692
Additions:			
General fund	-	7,308	-
Sales tax	-	152,633	1,629,053
Deletions:			
Obsolete assets	<u>-</u>	<u>-</u>	<u>-</u>
General fixed assets - end of year	<u>153,354</u>	<u>2,352,008</u>	<u>7,175,745</u>

<u>Equipment</u>	<u>2001 Total</u>
1,104,980	8,997,093
49,062	56,370
-	1,781,686
<u>-</u>	<u>-</u>
<u>1,154,042</u>	<u>10,835,149</u>

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(4) Certificates of Indebtedness

On August 23, 1999, the Town received \$1,300,000 from certificates issued to Bank One for the purpose of funding the costs of acquiring, constructing, and improving streets, drainage and other capital facilities. The certificates mature August 1, 2009, and interest is paid semi-annually at a rate of 4.95%. Annual payment requirements on these certificates are as follows:

<u>September 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Debt Service</u>
2002	53,856	114,000	167,856
2003	48,213	120,000	168,213
2004	42,273	126,000	168,273
2005	36,036	132,000	168,036
2006	29,502	138,000	167,502
Thereafter	<u>46,085</u>	<u>458,000</u>	<u>504,085</u>
	<u>255,965</u>	<u>1,088,000</u>	<u>1,343,965</u>

(5) Long-Term Debt

On March 29, 1997, the Town placed cash in an irrevocable trust with Commercial National Bank in Shreveport, Louisiana, for the sole purpose of meeting scheduled payments of principal and interest of the Water and Sewer Revenue Bonds dated March 1, 1972. The likelihood of the Town being required to make future payments in connection with this debt is remote. The Town has therefore extinguished the debt in an indirect manner, referred to as an insubstance defeasance, even though the Town is not released from being the primary obligor under the debt obligation. The defeasance resulted in a surplus of funds amounting to \$13,382. It also removed restrictions on other bank deposits amounting to \$207,162. There was no new debt issued in connection with this defeasance. As disclosed in Governmental Accounting Standards Board Statements 7 and 23, this debt is no longer required to be reported as a liability on the balance sheet of the Proprietary Fund.

At September 30, 2001, the unpaid principal on these bonds was \$45,000. Commercial National Bank held U.S. Treasury Securities with a unit value of \$46,400 as of September 30, 2001, in an escrow account for retirement of these defeased bonds.

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

(6) Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at September 30, 2001, were as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	185,006	73,660
Special Revenue Funds	8,368	185,006
Enterprise Fund	73,660	8,368
	<u>267,034</u>	<u>267,034</u>

(7) Sales Taxes

½ Cent Sales Tax

On July 15, 1980, a resolution was adopted for a ½ cent sales tax for the Town. On September 13, 1980, a special election was held to vote on the proposed sales tax. The sales tax was adopted by a vote of 523 to 404 and became effective November 1, 1980, for ten years. It was renewed on November 6, 1990 for ten years and again on November 3, 1998 for an additional ten year period. The revenue from this sales tax is dedicated as follows:

1. The first \$60,000 is dedicated to the maintenance, operation and addition to the Town's recreational facilities.
2. After satisfaction of the above, funds can be used in any of the areas listed below:
 - A. Street, sidewalk, bridge, and alley maintenance and improvement
 - B. Street light maintenance
 - C. Garbage collection
 - D. Police department
 - E. Fire department
 - F. Public parks
 - G. Airport
 - H. Real estate and equipment acquisition as related to the above

1 Cent Sales Tax

On October 7, 1989, the voters of the Town approved a one cent sales tax that became effective January 1, 1990 for a period of ten years. On November 3, 1998 the tax was renewed for an additional ten years. The revenue from this tax is dedicated to streets, drainage and other capital improvements.

TOWN OF DELHI, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2001

(8) Risk of Loss

The Town is exposed to a variety of risks that may result in losses. These risks may include possible loss from acts of God, injury to employees, property damage, or breach of contract. The Town finances these potential losses through purchasing insurance from several commercial companies, as well as self-insuring physical damage on its automobiles. The level of coverage has remained constant. The Town is not a member of a risk pool. All claims currently filed are adequately covered by the policies in place with no outstanding liabilities for the Town.

(9) Contingent Liabilities

Under the Town's personnel policies, all unused vacation and sick leave lapse as of September 30. Therefore, no accrual is necessary for compensated absences.

(10) Compensation Paid to the Governing Body

The following amounts were paid to the Town's Board of Aldermen for the year ended September 30, 2001:

<u>Board Member</u>	<u>AMOUNT</u>
Dan Tolar	2,400
Perry Smith	2,400
Shirley McDade	2,400
Mike Singley	2,000
Tommy Bradley	400
W.B. Sumner	2,400
	<u>12,000</u>

(11) Pension and Retirement Plans

Defined Benefit Pension Plans

The employees of the Town participate in a Statewide Local Government Retirement System, a multiple-employer cost sharing public employee retirement system. Contributions of participating state agencies are pooled within the systems to fund accrued benefits with contributions approved by the Louisiana Legislature. The Town's employees and policemen participate in the Municipal Employees' Retirement System of Louisiana ("MERS") and the Municipal Police Employees' Retirement System of Louisiana ("MPERS"). These systems issue publicly available financial reports that include financial statements and required supplementary information. These reports can be obtained by writing to Municipal Employee's Retirement System, 7937 Park Boulevard, Baton Rouge, Louisiana, 70809, and Municipal Police Employees Retirement System, 8401 United Plaza Boulevard, Room 270, Baton Rouge, Louisiana, 70809.

Members of the MERS and MPERS are required by statute to contribute 5.0% and 7.5%, respectively, to the systems.

TOWN OF DELHI, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2001

(11) Pension and Retirement Plans - continued

The Town's required contribution rates and amounts for the current year and two preceding years are reflected below:

	<u>September 30, 2001</u>		<u>September 30, 2000</u>		<u>September 30, 1999</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
MERS	4.50%	13,256	3.75%	12,382	2.75%	10,811
MPERS	9.00%	4,673	9.00%	2,164	9.00%	2,012

(12) Enterprise Fund-Segment Information

The net working capital for the enterprise fund was \$481,387 in 2001.

OTHER INDEPENDENT AUDITORS' REPORTS

MARTIN, HARRISON & SMALLWOOD, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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302 DEPOT STREET, SUITE A - DELHI, LA 71292 - (318) 878-5573

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

December 7, 2001

The Honorable Billy Dartlone, Mayor
and the Members of the Board of Aldermen
Delhi, Louisiana

We have audited the financial statements of the Town of Delhi, Louisiana, as of and for the year ended September 30, 2001, and have issued our report thereon dated December 7, 2001, which was unqualified. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Delhi, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Town of Delhi, Louisiana, in a separate letter dated December 7, 2001.

The Honorable Billy Dartlone, Mayor,
and the Members of the Board of Aldermen
Delhi, Louisiana
December 7, 2001

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Delhi, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town of Delhi, Louisiana in a separate letter dated December 7, 2001.

This report is intended for the information of the Mayor and the Board of Aldermen. However, this report is a matter of public record and its distribution is not limited.

Martin, Harrison & Smallwood, LLP

OTHER FINANCIAL INFORMATION

MARTIN, HARRISON & SMALLWOOD, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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302 DEPOT STREET, SUITE A - DELHI, LA 71292 - (518) 878-5573

INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

December 7, 2001

The Honorable Billy Dartlone, Mayor
and the Members of the Board of Aldermen
Delhi, Louisiana 71232

The general purpose financial statements of the Town of Delhi, Louisiana, for the year ended September 30, 2001, and our report thereon are presented in the preceding section of this report. Our audit was made primarily for the purpose of formulating an opinion on the general purpose financial statements taken as a whole. The other financial information presented hereinafter is for supplementary analysis purposes and is not considered necessary for a fair presentation of the financial position and results of its operations for the year then ended in conformity with generally accepted accounting principles.

The other financial information was subjected to the procedures applied in our audit of the related general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Martin, Harrison & Smallwood, LLP

TOWN OF DELHI, LOUISIANA
 SCHEDULE OF EXPENDITURES
 GENERAL FUND
 FISCAL YEAR ENDED SEPTEMBER 30, 2001

ADMINISTRATIVE

Salaries	64,777
Aldermen's allowance	12,000
Advertising & publishing	4,515
Legal & accounting	14,933
Telephone	5,969
Utilities	10,903
Supplies & office expense	3,255
Miscellaneous	2,940
LMA meeting	3,843
Retirement fund	8,619
Repairs & maintenance	1,496
	<u>133,250</u>

PUBLIC SAFETY

Fire

Volunteer firemen	10,800
Truck expense	2,469
Fuel, supplies & maintenance	13,051
Telephone	1,362
	<u>27,682</u>

Police

Salaries	163,432
Supplemental pay	14,400
Auto	12,929
Coroner fees	2,050
Court Magistrate	4,433
Supplies	11,935
Prisoner care	19,082
Telephone	2,486
Repairs	2,017
Uniforms	3,060
Miscellaneous	6,711
Retirement fund	4,673
Gas & oil (police cars)	11,658
Law enforcement fund	1,866
	<u>260,732</u>

Total Public Safety

288,414

(Continued)

See auditors' report on other financial information.

TOWN OF DELHI, LOUISIANA
 SCHEDULE OF EXPENDITURES
 GENERAL FUND
 FISCAL YEAR ENDED SEPTEMBER 30, 2001

(Continued)

STREETS

Salaries	97,127
Supplies	5,449
Utilities	38,750
Gas & oil	11,276
Equipment maintenance	10,964
Miscellaneous	3,768
	<u>167,334</u>

GENERAL

Health insurance	2,844
Garbage payment	155,410
Community Center #2	5,009
Pest control	900
Country Club maintenance	9,782
Beautification	4,297
Billy Bryan Park Improvements	2,276
Airport	5,634
Christmas decorations	4,548
Cave Theatre	3,834
Insurance	64,927
Dues	845
Miscellaneous	12,366
Payroll taxes	25,485
Civic Center	15,019
Railroad lease	650
Garbage bags	2,216
Hannah House	2,975
	<u>319,017</u>

TOTAL EXPENDITURES

908,015

(Concluded)

See auditors' report on other financial information.

MARTIN, HARRISON & SMALLWOOD, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

2808 KILPATRICK BLVD., P.O. BOX 4044 - MONROE, LA 71211-4044 - (518) 388-0500
302 DEPOT STREET, SUITE A - DELHI, LA 71232 - (518) 878-5578

December 7, 2001

The Honorable Billy Dartlone, Mayor
and the Members of the Town Council
Town of Delhi, Louisiana

We have audited the financial statements of the Town of Delhi, Louisiana as of and for the year ended September 30, 2001, and have issued our report thereon dated December 7, 2001. 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 our examination, we have issued our report on the financial statements, dated December 7, 2001, and our report on internal control and compliance with laws, regulations, and contracts, dated December 7, 2001.

During the course of our examination, we became aware of the following matters, which represent immaterial deviations of compliance or suggestions for improved internal controls.

FINDING #1

During our review of the General Fund grant revenue, we found four grant checks written to the Town of Delhi from Alcoa that were not deposited timely.

RECOMMENDATION

All checks received should be deposited promptly.

FINDING #2

During our review of the accounts receivable in the Enterprise Fund (Water System), we found that bills to Richland Parish Hospital were being estimated for several months due to a broken meter. The actual billings after the meter was repaired were higher than the estimated billings.

RECOMMENDATION

Broken meters should be repaired promptly so that charges to customers are accurate.

FINDING #3

During our review of property tax revenue, we found that the deposit made on March 19, 2001 for \$685.35 did not reconcile to the property tax journal list or tax receipts, which reflected \$610.47.

RECOMMENDATION

Bank deposits should be reconciled to the property tax journal daily, and any variances should be identified timely.

FINDING #4

During our review of the Sales Tax Fund accounts receivable, we determined that the Town of Delhi continued to bill, and Tifton continued to make payments, on the clarifier contract for two months after the completion of the contract. The total amount collected over the contracted amount was \$10,708.24.

RECOMMENDATION

The Town of Delhi should contact Tifton and make arrangements to reimburse this overage.

FINDING #5

During our review of the Sales Tax Fund rental revenue, we noticed that the lease between the Town of Delhi and Dumas Candy Company expired October 31, 2000 and had not been renewed. Dumas Candy Company continued to make monthly rental payments throughout the year.

RECOMMENDATION

Leases should be reviewed periodically so that they are renewed timely.

FINDING #6 AND RELATED RECOMMENDATIONS

During our review of the tickets issued by the Police Department we found several breaks in the numerical sequence of tickets issued during the fiscal year. There were several reasons for this break in numerical sequence.

Several tickets from a prior year had been entered in the system during the current year due to failure to appear or warrant problems. This type ticket should be a memo only entry rather than changing the date on the ticket; otherwise it gives the appearance of numerical sequence breaks.

We found that the police department's three computers are not networked, but data entry is done at more than one workstation. Therefore, unless a disk is used to transfer data from one computer to the other, the information in each system is incomplete. One computer should be used to enter all information and tickets should be updated daily on that one system..

We found that there were many tickets entered into the system with incorrect dates, which caused them not to be included in the print out of current year tickets. Care should be exercised when entering ticket information to ensure that it is being entered correctly. We also recommend a daily printout or on-screen review of entered information.

The log the police department is currently utilizing as a control should be reviewed on a more frequent basis, no less than monthly, and notations should be made on all ticket numbers that are not listed. These notations should be reviewed and initialed by the Chief of Police. The payment receipts should be updated in the police department's records daily.

December 7, 2001

FINDING #7

During our review of the fine revenue, we found that one receipt book, which contained receipts from June 7, 2001 through September 9, 2001, was missing and unable to be located. We also noticed that there were several receipts marked void where the original of the receipt is missing.

RECOMMENDATION

All used receipt books should be kept in a secure location. The originals to voided receipts should be kept and stapled to the carbon copy in the receipt book.

FINDING #8

During our review of fine revenue, we found that there is not a reliable system for the receipt of partial payments on the tickets.

RECOMMENDATION

There should be a subsidiary ledger kept for the purpose of keeping an accurate record of partial payments and the balance due on fine revenue.

FINDING #9

During our review of fine revenue, we determined that receipts are not being entered daily to the police department's ticket record, and no reconciliation is being done between the police department's records and the cash receipts. As a result, it is possible for warrants to be issued on tickets where payment was received.

RECOMMENDATION

The receipts written and given to the police department should be recorded daily in the police department's records. Additionally, the police department should print a monthly report in receipt number order and reconcile the total amount entered on their system to the total amount on the receipts. These reconciliations should be filed for future reference.

FINDING #10

A review of the receipt books revealed that deposits are not being made daily. This type of activity can result in weakening control over these receipts.

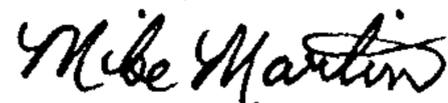
RECOMMENDATION

All receipts should be deposited daily to insure good control in this area.

We are available to further explain the above findings and to help implement the recommendations. Please feel free to contact us at any time if we may be of any assistance. We appreciate the cooperation and courtesy extended to us during the course of the audit.

Respectfully,

MARTIN, HARRISON & SMALLWOOD, L.L.P.



Mike M. Martin

Certified Public Accountant

TOWN OF DELHI



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SHIRLEY McDADE, Alderman, District A
TOMMY BRADLEY, Alderman, District B
PERRY SMITH, Alderman, District C

BILLY DARTLONE, MAYOR
GLORIA KING, Town Clerk

DAN TOLAR, Alderman, District D
W. B. Sumner, Alderman, District E
RUFUS CARTER, Chief of Police

March 8, 2002

Mr. Mike Martin
Martin, Harrison & Smallwood, LLP
P O Box 4044
Monroe, LA 71211-4044

RE: October 2000 - September 2001 Audit

Dear Mr. Martin:

In connection with the audit of the Town of Delhi as of September 30, 2001, we offer the following responses to the management letter of December 7, 2001.

- FINDING #1** - All correspondence to the Town is now being date stamped and deposits are made promptly.
- FINDING #2** - The specific meter had to be removed from the sidewalk and has been replaced. The Water Department has been directed to replace all broken meters immediately.
- FINDING #3** - Bank deposits are being reconciled daily and any variances are identified immediately.
- FINDING #4** - The Town and Tifton officials were unaware of the overpayment until noted in the audit. Both parties agree to the amount overpaid. The Town and Tifton have made arrangements for the Town to reimburse the overage.
- FINDING #5** - The city attorney has written a new lease with Dumas Candy and other leases will be reviewed in order that they are renewed timely.
- FINDING #6** - Tickets relating to failure to appear and warrants will be made by memo entry rather than changing the date on the ticket.

One computer will be used for data entry.
Posting of data will be done promptly.

Ticket entries into the computer will be reviewed daily to see that dates are recorded correctly.

The log used by the Police Department will be reviewed and initialed by the Chief of Police at least monthly. The payment receipts will be updated in the Police Department records daily.

FINDING #7 - Receipt books will be held in a secure location and will not be taken to other locations for any reason. Originals of voided receipts will be stapled to the copy in the receipt book.

FINDING #8 - A subsidiary ledger will be maintained to keep an accurate record of partial payments, and balances due.

FINDING #9 - Receipts written for fines will be recorded daily in the Police Department's records. The Police Department will print a monthly report in receipt number order and reconcile the total amount entered to the total amount on the receipts.

FINDING #10 - All receipts will be deposited daily.

If you have any questions regarding the above, please contact us.

Sincerely yours,



Billy Dartlone
Mayor

BD/mb