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TOWN OF POLLOCK, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1966

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Release Date: _____

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April 8, 1987

Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Town of Pollock, Louisiana as of December 31, 1986 and for the year then ended. These general purpose financial statements are the responsibility of the Town'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 generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

As discussed in Note 11, the Town is obligated to repay advances received by the General Fund from the Town's Municipal Airport Enterprise Fund. Due to inadequate accounting records, we were unable to form an opinion regarding the advances reported at \$207,701 in the accompanying financial statements.

In our opinion, except for the effect of such adjustments, if any, that might have been determined to be necessary had prior year records described in the previous paragraph been adequate, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Pollock, Louisiana, as of December 31, 1986, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

To the Mayor and Board of Aldermen
Town of Pollock, Louisiana
April 8, 1997
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In accordance with Government Auditing Standards, we have also issued a report dated April 8, 1997, on our consideration of the Town's internal control structure and a report dated April 8, 1997, on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial schedules and the schedule of per diem paid to Board members listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Pollock. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.


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April 8, 1997

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE OF THE TOWN OF POLLOCK, LOUISIANA

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

We have audited the financial statements of the Town of Pollock, Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated April 8, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Town of Pollock, Louisiana is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Town of Pollock, Louisiana, for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been

placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

REPORTABLE CONDITION

FINANCIAL REPORTING

The Town acquired a computerized accounting system, but the system is not functioning properly. In order to compensate for inadequate performance by the computer system, management has begun maintaining manual accounting records. However, since recording transactions manually requires a large commitment of time, adopting a manual system is not a desirable solution to the Town's financial reporting problems. Furthermore, due to an absence of available time, management has experienced difficulty maintaining manual records that are both up-to-date and accurate.

Timely and accurate financial information is needed in order to properly manage the Town. We recommend providing this information by adopting a new accounting system that is fully automated. The new system should be implemented as-soon-as possible.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

To the Mayor and Board of Aldermen
Town of Pollock, Louisiana
April 8, 1997
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We also noted other matters involving the Internal Control Structure and its operations that we have reported to the management of the Town in a separate letter dated April 8, 1997.

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



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April 8, 1997

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the general purpose financial statements of the Town of Pollock, Louisiana as of and for the year ended December 31, 1996, and have issued our report thereon dated April 8, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Town of Pollock, Louisiana is the responsibility of the Town's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our test disclosed the following instances of noncompliance that are required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Town of Pollock's 1996 financial statements.

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

INSTANCES OF NON-COMPLIANCE

PUBLIC BID LAW

The Town has acquired a police car under a capital lease arrangement. Since management did not realize that the public bid law applies for leasing transactions, no request for bids was published in the Town's official journal.

BUDGET VARIANCE

Expenditures reported by the general fund have exceeded amounts appropriated by the budget. The unfavorable budget variance is beyond the amount allowed by state law.

We considered these instances of non-compliance in forming our opinion on whether the Town of Pollock's 1996 general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated April 8, 1997 on those general purpose financial statements.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is unlimited.


ROGER, HARRINGTON & MCKAY
Certified Public Accountants

TOWN OF POLLOCK, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS

Comptroller, Sabine Parish
 December 31, 1996

	Operational Funds		Proprietary Funds		Account Group			Total (Miscellaneous Only)
	General Fund	Capital Projects Funds	Enterprise Funds	Debt Funds	General Fund Assets	Long-term Debt		
Cash	\$ 3,010	\$ -	\$ 18,826	\$ -	\$ -	\$ -	\$ 26,836	
Receivables	12,947	-	11,948	-	-	-	36,335	
Inventory	-	-	6,268	-	-	-	6,268	
Prepaid	-	36,014	15,878	-	-	-	111,146	
Accrued	-	114,014	-	-	-	-	114,014	
Deferred	-	-	3,828	-	-	-	3,828	
Other	-	27,894	-	-	-	-	27,894	
Land, buildings and equipment (net of accumulated depreciation)	-	-	317,776	-	-	-	317,776	
Other	-	-	1,079,219	-	121,333	-	1,100,552	
Total assets	\$ 36,810	\$ 378,928	\$ 3,144,667	\$ -	\$ 121,333	\$ 111,250	\$ 4,011,052	

A amount to be provided for retirement
of general obligation debt.

The accompanying notes are an integral part of this statement.

**TOWN OF POLLOCK, LOUISIANA
GOVERNMENTAL FUNDS**

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended December 31, 1996

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES:			
Taxes:			
Ad valorem	\$ 1,750	\$ -	\$ 1,750
Sales	28,400	-	28,400
Other	9,588	-	9,588
Licenses and permits	28,568	-	28,568
Intergovernmental	-	-	-
OTPS grant	11,450	-	11,450
State-capital-outlay	-	534,009	534,009
Other state funds	1,780	-	1,780
Fines and forfeitures	21,728	-	21,728
Use of money and property	-	12,400	12,400
Transfer sales	80,008	-	80,008
Other	2,600	-	2,600
Total revenues	<u>111,102</u>	<u>546,409</u>	<u>657,511</u>
EXPENDITURES:			
General government	77,408	3,000	80,408
Public safety	90,579	-	90,579
Public works	-	534,000	534,000
Facilities	3,800	-	3,800
Total expenditures	<u>171,787</u>	<u>537,000</u>	<u>708,787</u>
Excess (deficiency) of Revenues over expenditures	<u>(60,685)</u>	<u>10,410</u>	<u>(50,275)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer in	14,400	12	14,412
Operating transfer out	(12)	(4,496)	(4,508)
Proceeds from capital lease obligations	29,788	-	29,788
Excess (deficiency) of Revenues and other income over expenditures and other uses	<u>3,486</u>	<u>3,924</u>	<u>7,410</u>
Fund balance (deficit) - beginning of year:			
As previously reported	(711,966)	111,008	(600,958)
Prior period adjustments (Note 12)	-	(20,444)	(20,444)
As restated	<u>(711,966)</u>	<u>90,564</u>	<u>(621,402)</u>
Fund balance (deficit) - end of year	<u>\$ (678,480)</u>	<u>\$ 101,528</u>	<u>\$ (576,952)</u>

The accompanying notes are an integral part of this statement.

**TOWN OF POLLOCK, LOUISIANA
GENERAL FUND**

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (GA AP Book) and Actual
For the Year Ended December 31, 1990

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Taxes:			
Ad valorem	\$ 4,000	\$ 2,711	\$ 1,289
Sales	27,000	28,415	1,415
Other	9,000	9,560	560
License and permit	18,000	18,649	649
Intergovernmental:			
CCDF grant	-	15,452	15,452
Other state funds	-	1,785	1,785
Fines and forfeitures	70,000	55,716	(14,284)
Transfer sales	-	18,228	18,228
Other	6,500	5,657	(843)
Total revenues	<u>124,500</u>	<u>173,131</u>	<u>48,631</u>
EXPENDITURES:			
General government	72,000	77,418	(4,418)
Public safety	87,000	88,779	(1,779)
Sanitation	6,000	6,601	(1,601)
Total expenditures	<u>165,000</u>	<u>172,808</u>	<u>(2,192)</u>
Excess (deficiency) of Revenues over expenditures	(40,500)	(23,677)	6,623
OTHER FINANCIAL SOURCES (USES):			
Operating transfer in	11,000	14,028	1,628
Operating transfer out	-	(12)	(12)
Proceeds from capital lease obligation	71,500	75,766	1,266
Excess (deficiency) of Revenues and other sources over expenditures and other uses	200	10,997	10,997
Fund balance (deficit) - beginning of year	<u>(111,980)</u>	<u>(111,980)</u>	<u>-</u>
Fund balance (deficit) - end of year	<u>1 (111,780)</u>	<u>1 (111,987)</u>	<u>3 10,207</u>

The accompanying notes are an integral part of this statement.

**TOWN OF FOLLOON, LOUISIANA
PROPRIETARY FUNDS**

Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Year Ended December 31, 1996

	<u>ENTERPRISE FUNDS</u>
OPERATING REVENUES:	
Water sales	72,644
sewer service	10,948
Waste fees	2,100
Wastewater fees	14,500
Other	<u>1,209</u>
Total operating revenues	<u>101,401</u>
OPERATING EXPENSES:	
Wastewater purchased	11,208
Depreciation	78,133
Interest	7,545
Legal and professional	15,185
Miscellaneous	13,464
Office expense	800
Payroll taxes and benefits	5,158
Repairs and maintenance	14,800
Salaries and wages	50,883
Utilities and telephone	<u>13,581</u>
Total operating expenses	<u>185,687</u>
Operating income (loss)	144,074
NONOPERATING REVENUES (EXPENSES):	
Net investment income	4,350
Interest expense	(74,070)
Other	<u>1,401</u>
Net income (loss) before operating transfers	68,751
Operating transfers out	<u>70,024</u>
Net income (loss)	(1,273)
Add depreciation on fixed assets acquired with contributed capital	<u>33,487</u>
Net income (loss) in retained earnings	32,214
Retained earnings - beginning of year	<u>392,304</u>
Retained earnings - end of year	<u>\$ 424,518</u>

The accompanying notes are an integral part of this statement.

TOWN OF FOLLOLEN, LOUISIANA
PROPRIETARY FUNDS
 Combined Statement of Cash Flows
 For the Year Ended December 31, 1996

PROPRIETARY FUNDS
ENTERPRISE
FUNDS

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income	\$ 264,671
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	76,111
Increase (decrease) in receivables from utility sales	2,494
Increase (decrease) in accounts and other payable	(5,744)
Increase (decrease) in deposits due others	1,482
	74,344
Net cash provided (used) by operating activities	339,015

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Loan to general fund	(6,000)
Collection on amounts advanced to other funds	4,500
Ad Valorem tax receipts	2,471
Other	1,489
	2,460
Net cash provided (used) by non-capital financing activities	2,460

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Interest paid on general obligations and revenue bonds	(29,071)
Principal payment general obligations bonds	(3,000)
Principal payment revenue bonds	(20,914)
Purchase of equipment	(6,193)
	(59,178)
Net cash provided (used) by capital and related financing activities	(56,718)

Net increase (decrease) in cash	(25,163)
Beginning cash balance	77,541
Ending cash balance	52,378
Restricted cash balance	35,000
Unrestricted cash balance	87,378

Supplemental Disclosures of Cash Flow Information:

For the year ended December 31, 1996, there were no non-capital financing activities, capital and related financing activities, or investing activities that did not result in cash receipts or payments.

The accompanying notes are an integral part of this statement.

TOWN OF POLLOCK, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Pollock (the Town) was incorporated under the provisions of the Lawrason Act. The Town is governed by a Mayor and a Board of Aldermen consisting of five (5) members. Services provided by the Town include Police Protection, sanitation and street maintenance. The Town also operates a municipal airport, a water distribution system, and a sewer system.

The accompanying policies conform to generally accepted accounting principles for governmental units.

FINANCIAL REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Pollock for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the town to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon application of the these criteria, there were no potential component units and all of the Town's activities were included in the primary government reporting entity.

TOWN OF POLLOCK, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 1999

FUND ACCOUNTING

The accounts of the Town are organized on the basis of funds or 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. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the Town:

Governmental Fund Type

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

Capital Projects Funds - Account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in other governmental funds.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Account Groups

General Fixed Assets Account Group - This group of accounts is used to account for fixed assets of the Town other than those accounted for in the proprietary fund.

General Long-Term Debt Account Group - This group of accounts is used to account for long-term debt of the Town not accounted for in the proprietary fund.

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. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated

TOWN OF POLLOCK, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 1996

refunds of such taxes are recorded as liabilities and reductions of revenue when they are receivable and their validity seems certain.

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

In both governmental and proprietary funds, inventories of supplies are considered immaterial and are not recorded.

The proprietary (enterprise) fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Utility revenues are billed on a cycle basis and are recognized in the month billed. Unbilled service receivables resulting from utility services rendered between cycle billing and the end of the month have been recognized in the accompanying financial statements.

RESTRICTED ASSETS:

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations, including grant agreements and bond covenants.

BUDGET PRACTICES:

The Mayor prepares an annual budget for the Town's general fund. This budget is submitted to the Board of Aldermen and an approved budget is adopted before the beginning of each fiscal year. Amended budgets are prepared prior to the conclusion of each fiscal year. The amended budgets are prepared and approved in the same manner as the original budget.

The general fund budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles. No annual budget is required for the Town's Utility Fund.

FIXED ASSETS:

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are reported in the general fixed assets account group. Since the Town does not capitalize infrastructures, these items are excluded from the general fixed assets account group. No depreciation has been provided on general fixed assets.

General fixed assets are reported at historical costs. For items acquired prior to January 1, 1995, there were few records supporting historical cost. Current replacement cost has been used as a basis for estimating historical cost incurred prior to January 1, 1995.

TOWN OF POLLOCK, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 1999

Property and equipment used in the proprietary fund operations are recorded at cost or estimated historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Prior to January 1, 1999, there were few records supporting the cost; therefore, cost were estimated based on research performed by the Town's consulting engineers.

CASH AND CASH EQUIVALENTS

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments.

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned "Memorandum" 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 generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

STATEMENT OF CASH FLOWS

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks and certificates of deposit.

FUND EQUITY

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use.

TOWN OF POLLOCK, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 1998

NOTE 2 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTAL UNITS

At December 31, 1998, amounts to be collected by the Town are as follows:

	General Fund	Capital Projects Funds	Enterprise Funds	Total (Memorandum Only)
ACCOUNTS RECEIVABLE				
Utility Accounts	\$	\$	\$ 13,388	\$ 13,388
Ad Valorem Taxes	2,374			2,374
Franchise Taxes	2,298			2,298
Sales Taxes	<u>1,822</u>			<u>1,822</u>
Total	6,494		13,388	19,882
DUE FROM OTHER GOVERNMENTAL UNITS				
State of Louisiana	449	114,558		115,004
U.S. Dept. of Justice	<u>5,827</u>			<u>5,827</u>
Total Accounts Receivable Restricted Portion	12,667	<u>114,558</u>	<u>13,388</u>	<u>140,725</u>
Unrestricted Portion	<u>\$12,667</u>	<u>\$</u>	<u>\$ 13,388</u>	<u>\$ 26,055</u>

At December 31, 1998 there were no material amounts of uncollectible receivables and there was no provision recorded on the books.

NOTE 3 - CASH AND CASH EQUIVALENTS

At December 31, 1998 the Town's cash balance totaled \$137,725 (book balance) and \$137,530 (bank balance). The composition of these accounts is as follows:

	General Fund	Capital Projects Funds	Enterprise Funds	Total (Memorandum Only)
Cash	\$ 7,958	\$	\$ 18,626	\$ 26,581
Restricted Cash		<u>75,004</u>	<u>25,929</u>	<u>111,169</u>
Total Cash	<u>\$ 7,958</u>	<u>\$75,004</u>	<u>\$ 43,829</u>	<u>\$127,725</u>

TOWN OF POLLOCK, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 1998

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 1998, the primary government has \$ 107,530 in deposits (collected bank balances). These deposits are secured from risk by \$ 127,248 of federal deposit insurance and \$ 101,457 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4 - LONG-TERM DEBT

The Town has acquired a new police car under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the vehicle have been capitalized. The leased property is reported in the general fixed assets account group at its original cost of \$10,700. Future minimum lease payments are presented as follows:

Year Ending <u>December 31</u>	
1997	\$ 7,129
1998	7,129
1999	<u>5,247</u>
Total Minimum Lease Payments	\$ 19,505
Less Amounts Representing Interest	<u>1,448</u>
Present Value of Net Minimum Lease Payments	<u>\$ 18,057</u>

The following is a summary of bond transactions for the year ended December 31, 1998:

	General Obligation	Utility Revenue	Total
Bonds Payable, December 31, 1998	\$ 30,000	\$ 519,402	\$ 549,402
Issued			
Retired	<u>1,000</u>	<u>14,837</u>	<u>15,837</u>
Bonds Payable, December 31, 1998	<u>\$ 29,000</u>	<u>\$ 504,565</u>	<u>\$ 533,565</u>

TOWN OF POLLOCK, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 1998

At December 31, 1998, the following Bond issues were outstanding:

	<u>Outstanding Balance</u>	
	<u>General Obligation</u>	<u>Utility Revenue</u>
\$200,000 Water Revenue Bonds dated October 30, 1975, due in annual installments ranging from \$2,000 to \$15,000 plus interest at 5%, final installment due January 1, 2016	\$	\$152,560
\$25,000 Water Public Improvement Bonds Series A dated October 31, 1975, due in annual installments ranging from \$500 to \$1,000 plus interest at 5%, final installment due January 1, 2015	14,500	
\$25,000 Water Public Improvement Bonds Series B dated October 31, 1975, due in annual installments ranging from \$500 to \$1,000 plus interest at 5%, final installment due January 1, 2015	14,500	
\$225,000 Sewer Revenue Bonds dated November 10, 1961, due in annual installments ranging from \$2,000 to \$12,000 plus interest at 5%, final installment due November 10, 2021		190,805
\$25,000 Water Revenue Bonds dated December 27, 1975, due in annual installments ranging from \$500 to \$1,000 plus interest at 5%, final installment due January 1, 2015		16,500
\$140,000 Water Revenue Bonds dated June 22, 1963, due in annual installments ranging from \$1,000 to \$9,000 plus interest at 7.375%, final installment due January 1, 2023		120,162
\$23,315 Rescheduling of Water Revenue Bonds per agreement dated February 7, 1996, due in monthly installments of \$151 including interest of 5%, final installment due December 7, 2015		21,655

TOWN OF POLLOCK, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 1998

\$6,350 Rescheduling of Water Revenue Bonds per agreement dated February 7, 1998, due in monthly installments of \$44 including interest at 7.375%, first installment due August 7, 2000.

	6,350	
	\$ 29,000	\$ 504,495

A schedule of maturities for the bond issues follows for the years ended December 31:

	General Obligations	Utility Revenue Bonds	Total
1997	1,000	12,000	13,000
1998	1,000	12,379	13,379
1999	1,000	13,426	14,426
2000	1,000	13,475	14,475
2001	1,000	14,524	15,524
Thereafter	24,000	488,325	512,325
Total	\$ 29,000	\$504,495	\$ 533,495

NOTE 5 - AD VALOREM TAXES

The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Grant Parish. For the year ended December 31, 1998, the Town levied a 5.0 mills for general corporate purposes and 4.5 mills for debt service on general obligation bonds issued by the waterworks enterprise fund.

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed. There were no material amounts of collectible ad valorem taxes at December 31, 1998.

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of general fixed assets at December 31, 1998 is presented as follows:

	Balance 12/31/97	Additions	Disposals	Balance 12/31/98
Buildings	\$ 88,600			\$ 88,600
Vehicles	_____	\$ 24,735	_____	24,735
Totals	\$ 88,600	\$ 24,735	_____	\$113,335

TOWN OF POLLOCK, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 1999

A summary of the property and equipment at December 31, 1999 consists of the following:

	Balance 12/31/98	Additions	Disposals	Balance 12/31/99
Water Distribution System	\$ 865,839	\$ 8,200	\$	\$ 873,940
Wastewater System	1,748,521			1,748,521
Airport Improvements	168,400			168,400
Construction in Progress	450,054	547,309		1,000,373
Land	<u> </u>	<u>20,820</u>	<u> </u>	<u>20,820</u>
Total	3,338,665	576,129		3,914,804
Less Accumulated Depreciation	<u>(810,952)</u>	<u>(74,133)</u>	<u> </u>	<u>(885,085)</u>
Net Property and Equipment	<u>\$ 2,527,713</u>	<u>\$ 502,006</u>	<u>\$</u>	<u>\$3,029,719</u>

NOTE 7 - CAPITAL OUTLAY

In order to enhance the local economy, the Town has made property available for the construction of a Federal Prison. Certain infrastructure improvements are needed to make the prison site suitable for its intended purpose. Funding for the additional infrastructure has been appropriated by the State Legislature. The following projects have been included in the State's Capital Outlay Program:

Planning for water supply and sewage treatment disposal for the U.S. Correctional Complex	\$ 500,000
Construction of water supply and sewage treatment disposal facilities to serve the U.S. Correctional Complex	3,000,000
Construction of access roads for the U.S. Correctional Complex	<u>3,581,000</u>
Total Funding	<u>\$ 7,081,000</u>

TOWN OF POLLOCK, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 1998

Amounts which have been expended from the previously described funds are summarized as follows:

	Previous Expenditures	Current Expenditures	Total
Water Supply and Sewage Treatment Disposal:			
Planning	\$ 466,064	\$ 108,808	\$ 574,872
Construction		48,372	48,372
Construction of Access Roads	____33,666	____409,602	____443,270
 Total Capital Outlay Expenditures	 \$ 499,730	 \$ 567,782	 \$ 1,067,512

NOTE 8 - CONTRIBUTED CAPITAL

An analysis of the Town's contributed capital account is presented as follows:

Beginning Balance	\$ 2,001,706
Current Capital Outlay:	
Water Supply and Sewage Treatment Disposal	166,308
Construction of Access Roads	409,602
Depreciation on Improvements Financed With Contributed Capital	____(30,482)
 Ending Balance	 \$ 2,546,232

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 1998, the Town did not maintain casualty insurance coverage for its utility systems or its municipal buildings and related contents. Claims expenditures resulting from these uninsured risks and the related liabilities are reported when it is probable that a loss has occurred and the amount can be reasonably estimated. However, as of December 31, 1998, no claims have been occurred and there is no liability for unpaid claims.

The Town insures against the remaining risk described above by participating in a public entity risk pool that operates as a common insurance program. Settled claims resulting from these insured risks have not exceeded insurance coverage in any of the past three fiscal years.

TOWN OF POLLOCK, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 1998

In response to the findings described above, the Town has entered into a repayment agreement with the FAA. The agreement, which was accepted by the FAA, on November 11, 1997 requires the general fund to repay a total of \$350,999 to the Municipal Airport Enterprise Fund. Under the terms of the repayment agreement, the general fund is required to execute \$2,000 installments on an annual basis. In addition, the general fund will receive credit for the following in-kind services provided on behalf of the Airport:

- Twenty-four percent (24%) of the Town Clerk's salary.
- An annual allowance of \$600 for the Town Clerk's office expense.
- Twenty-six percent (26%) of the Police Chief's salary.
- An annual allowance of \$600 for the Police Chief's vehicle expense.

The amount currently payable by the general fund to the municipal airport enterprise fund is presented as an advance in the accompanying financial statements. Due to an absence of records from previous years, the exact amount of the advance cannot presently be determined. The amount presented in the accompanying financial statements was computed as follows:

Original Balance - November 11, 1997	\$ 350,999
In-kind payment for the year ended December 31, 1998	6,274
December 31, 1998	6,024
Cash Payments during 1998	<u>4,000</u>
Balance - December 31, 1998	\$ 363,793

NOTE 12 - ECONOMIC DEVELOPMENT LOAN

In order to promote economic development, the Town applied for and received an Urban Development Action Grant (UDAG) in the amount of \$150,000. A portion of the proceeds totaling \$135,240 was loaned to a local nursing home development and the remaining funds were used to cover administrative costs.

The loan is secured by a second mortgage dated October 20, 1990, on the nursing home facility and a personal guarantee provided by the developer. Repayment terms require the nursing home to remit twenty percent (20%) of net cash flow to the Town on an annual basis. Payments to be collected by the Town are limited to \$300,000 unless the facility is sold, refinanced or subject to foreclosure prior to collection of the full amount. In the event that the facility is sold, refinanced, or subject to foreclosure, the loan will be amortized based on the interest rate imposed by the first mortgage on the facility.

Due to the absence of available records, the Town could not previously determine the exact balance for the Economic Development Loan. However, based on records that recently became

TOWN OF POLLOCK, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 1995

available the exact amount has been determined. A prior period adjustment in the amount of \$20,594 was needed to correct the balance presented at December 31, 1995.

NOTE 13 - RESTRICTED RESOURCES

Restrictions imposed by various laws, regulations, contracts and grants are summarized as follows:

Bond covenants require the Town to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants.

The Town operates a municipal airport on property that was originally provided by Federal sources. Restrictions imposed by the donor require resources generated by the property to be used solely for operation of the Airport and maintenance of the property.

Funds provided by an Urban Development Action Grant (UDAG) were used to establish an economic development loan. Restrictions imposed by the grantor require amounts collected from the borrower to be used for further economic development projects.

Resources provided by the State's Capital Outlay Program are available only to complete the projects described in Note 7.

Assets, liabilities, and equity classified as restricted are summarized as follows:

Capital Project Funds	Economic Development Loan Fund	Capital Outlay Fund	Total
Cash	\$ 72,320	\$ 3,948	\$ 76,268
Receivables		114,558	114,558
Economic Development Loan	<u>27,594</u>	<u> </u>	<u>27,594</u>
Total Restricted Assets	100,120	118,498	218,618
Liabilities Payable from Restricted Assets	<u> </u>	<u>118,498</u>	<u>118,498</u>
Fund Balance Reserved for Economic Development	\$ 100,120	\$ <u> </u>	\$ 100,120

TOWN OF POLLOCK, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 1998

Enterprise Funds	Utility Funds (Water & Sewer)	Municipal Aid/66	Total
Cash	\$ 22,664	\$ 12,526	\$ 35,190
Interfund Receivable	3,959		3,959
Advances to Other Funds	-----	327,701	327,701
Total Restricted Assets	26,623	340,227	366,850
Liabilities Payable from Restricted Assets	-----	-----	-----
Retained Earnings:			
Reserved per bond covenants	26,403		26,403
Reserved for Airport Operations	-----	340,227	340,227
Total Restricted Retained Earnings	<u>\$ 26,403</u>	<u>\$ 340,227</u>	<u>\$ 366,630</u>

TOWNS OF POLLOCK
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1996

TOWN OF POLLOCK, LOUISIANA
CAPITAL PROJECTS FUND
 Combining Schedule of Revenues, Expenditures,
 and Changes in Fund Balance
 For the Year Ended December 31, 1996

	ECONOMIC DEVELOPMENT LOAN FUND	CAPITAL OUTLAY FUND	TOTAL
REVENUES			
Inter-governmental:			
State capital money	\$ -	\$ 534,229	\$ 534,229
Use of money and property	<u>12,460</u>	<u>-</u>	<u>12,460</u>
Total revenues	<u>12,460</u>	<u>534,229</u>	<u>546,689</u>
EXPENDITURES			
General government	2,298	-	2,298
Public works	<u>-</u>	<u>534,241</u>	<u>534,241</u>
Total expenditures	<u>2,298</u>	<u>534,241</u>	<u>536,539</u>
Excess (deficiency) of Revenues over expenditures	10,162	(12)	10,150
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	12	12
Operating transfers out	<u>(1,090)</u>	<u>-</u>	<u>(1,090)</u>
Excess (deficiency) of Revenues and other sources over expenditures and other uses	<u>9,072</u>	<u>-</u>	<u>9,072</u>
Fund balance (deficit) - beginning of year			
As previously reported	111,079	-	111,079
Prior Period Adjustment	<u>(20,089)</u>	<u>-</u>	<u>(20,089)</u>
As revised	<u>90,990</u>	<u>-</u>	<u>90,990</u>
Fund balance (deficit) - end of year	<u>\$ 100,062</u>	<u>\$ -</u>	<u>\$ 100,062</u>

TOWN OF POLARIS, LOUISIANA
PROPRIETARY FUNDS
 Combining Schedule of Revenues and Expenses
 For the Year Ended December 31, 1994

	WATERWORKS ENTERPRISE FUND	SEWER SYSTEM ENTERPRISE FUND	MUNICIPAL UTILITY ENTERPRISE FUND	TOTAL
OPERATING REVENUES				
Water sales	\$ 75,174	\$ -	\$ -	\$ 75,174
Service revenues	-	16,908	-	16,908
Franchise fees	-	-	15,000	15,000
Available for sale	-	-	14,000	14,000
Other	5,642	2,000	1,000	8,642
Total operating revenues	<u>80,816</u>	<u>18,908</u>	<u>30,000</u>	<u>139,724</u>
OPERATING EXPENSES				
Available for sale purchase	-	-	11,700	11,700
Depreciation	23,081	44,882	4,250	72,213
Insurance	2,400	1,200	1,000	4,600
Legal and professional	2,541	700	11,800	15,041
Miscellaneous	6,882	2,884	1,870	11,636
Office expenses	801	-	-	801
Physical plant and facilities	2,180	2,321	36	4,537
Capital and Maintenance	5,183	4,884	1,200	11,267
Salaries and wages	10,184	10,000	800	20,984
Utilities and telephone	6,881	2,204	4,000	13,085
Total operating expenses	<u>64,154</u>	<u>70,001</u>	<u>38,460</u>	<u>172,615</u>
Operating income (loss)	<u>16,662</u>	<u>(51,093)</u>	<u>(8,460)</u>	<u>(42,891)</u>
NON-OPERATING REVENUES/EXPENSES				
Available for sale	4,000	-	-	4,000
Interest expense	(24,000)	(6,400)	-	(30,400)
Other	10	-	1,430	1,440
Net income (loss) before operating expenses	<u>(19,990)</u>	<u>(56,493)</u>	<u>(4,030)</u>	<u>(80,513)</u>
Operating revenue net	-	-	(8,000)	(8,000)
Net income (loss)	<u>\$ (19,990)</u>	<u>\$ (56,493)</u>	<u>\$ (12,030)</u>	<u>\$ (88,513)</u>

TOWN OF POLLOCK, LOUISIANA
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
For the year ended December 31, 1996

Eugene Meyerson, Mayor	6,000
Chuck Butlerfield, Alderman	625
Randy Browning, Alderman	550
Connie Holden, Alderman	650
Mark Marcumel, Alderman	625
Sharon Zell, Alderman	675
	<hr/>
Total Compensation	9,125
	<hr/>

ROZIER, HARRINGTON & McKAY
CERTIFIED PUBLIC ACCOUNTANTS

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April 8, 1997

The Honorable Mayor and Board of Aldermen
Town of Pollock, Louisiana

In planning and performing our audit of the financial statements of the Town of Pollock, for the year ended December 31, 1996, we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are provided as follows:

COMMENTS AND RECOMMENDATIONS

RISK MANAGEMENT:

In order to limit exposure to risk, the Town purchases insurance coverage from various sources. However, as December 31, 1996 the Town was exposed to some significant risk that were not covered by insurance. Exposure of this nature includes an absence of casualty insurance coverage for the Town's utility systems, its municipal buildings and building contents. Furthermore, a portion of the wages paid by the Town were not reported to the provider of workers compensation coverage and no premium was paid in connection with the unreported wages. In order to limit exposure to risk we recommend obtaining coverage for all of the Town's property. In addition, we recommend reporting all wages paid to the provider of workers compensation insurance coverage.

INVESTMENTS:

The Town's economic development loan fund has a large balance on deposit in a bank savings account. Since savings accounts do not offer competitive interest rates, we recommend considering investment options that offer a more attractive return without sacrificing safety. Potential alternative investments include insured certificates of deposit and U.S. Government Bonds.

MATTERS PREVIOUSLY REPORTED:

At the conclusion of our previous audit, we addressed matters that came to our attention in a letter dated May 28, 1986. This portion of our current comments will provide the present status of matters that were previously addressed.

ECONOMIC DEVELOPMENT LOAN:

The Town has loaned approximately \$105,240 to the Woods Haven Senior Citizens Home, Inc. (the borrower). Security for the loan is provided by a second mortgage on the facility dated October 28, 1980. Further security is provided by a personal guarantee from the borrower's president.

Due to an absence of financial records, no loan balance was available at the conclusion of the previous audit. However, since completion of the previous audit we were allowed to inspect records and supporting documentation maintained by the borrower. Based on the information provided by the borrower, a current loan balance has been computed. The loan balance at December 31, 1986 of \$27,894 has been computed by applying the provisions in Exhibit E, Section III(b), of Town's agreement with the borrower.

The Town's agreement with the borrower includes a provision for modifying the repayment terms when certain events occur. Events that may result in a modification of repayment terms include refinancing the obligation secured by the first mortgage on the borrower's facility. Since the borrower has apparently engaged in a refinancing transaction, the Town may be entitled to receive future payments in excess of the balance presented in the preceding paragraph. Determining whether the Town is entitled to additional payments may involve complex legal issues; therefore, we recommend consulting legal counsel regarding these issues.

AIRPORT REPAYMENT PLAN:

The Town entered into an agreement with the Federal Aviation Administration (FAA) that was executed on November 8, 1987. The intended purpose of this agreement was to restore certain funds that were expended from the Municipal Airport Enterprise Fund. Under the terms of the agreement, the General Fund is required to repay a total of \$250,899 to the Municipal Airport Enterprise Fund. The repayment agreement requires annual cash payments of \$2,800 plus various in-kind payments.

Due to an absence of financial records from years prior to 1985, management cannot accurately determine the current balance for the General Fund's obligation to the Municipal Airport Enterprise Fund. In order to resolve this situation, we recommend contacting the FAA to discuss updating the repayment agreement. Until a revised agreement can be established, we also recommend that the Town continue making the annual cash payment required by the existing agreement.

DEDICATED AD VALOREM TAXES:

Public improvement bonds were issued to finance construction of the Waterworks System. The public improvement bonds are secured by a special ad valorem tax which is dedicated to payment of principal and interest associated with the bonds. Since collections from the ad valorem tax are legally restricted for a specific use, the tax proceeds should be segregated from the Town's remaining funds.

In order to comply with restrictions imposed on the special ad valorem tax, we previously recommended depositing all proceeds from the tax in a separate bank account. Management has implemented this recommendation by establishing a new bank account and depositing all proceeds from the special ad valorem tax.

PLEGDED SECURITIES:

State Law requires public deposits to be protected by Federal Deposit Insurance or securities pledged by the depository institution. In order to comply with State Law, we previously recommended requiring the Town's fiscal agent to pledge securities in the prescribed manner. This recommendation has been implemented and at December 31, 1996 investment securities with an approximate value of \$184,800 were pledged by the Town's fiscal agent.

UNEMPLOYMENT CONTRIBUTIONS:

Contributions to the State's employment security fund are provided for each of the Town's employees. Due to an faulty method of computing contributions, previous contributions exceed the required amount. Since our previous audit, this condition has been corrected and excess contributions have been refunded by the employment security fund.

We will be available at your convenience to discuss our comments and suggestions in greater detail. Our firm will also be available to assist in implementing these recommendations.

Security,



ROGER HARRINGTON & MARK
Certified Public Accountants