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VICKSBURG-FALLULAH DISTRICT AIRPORT BOARD

Financial Statements, Study and
Evaluation of Internal Controls, Compliance
with Laws and Regulations and
Other Information

For the Fiscal Year Ended
November 30, 1997

with

Independent Auditor's Reports

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

Release Date MAR 11 1998

GENERAL PURPOSE FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION SCHEDULES

February 10, 1978

Office of Legislative Auditor
Attention: Ms. Dorothy Milner
1606 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Ms. Milner:

In accordance with Louisiana Revised Statute 24:514, enclosed are the general purpose financial statements, with supplemental information schedules, for the Vidéburg-Tallulah District Airport Board as of and for the year ended November 30, 1977. The report includes all funds under the control and authority of the Vidéburg-Tallulah District Airport Board. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles.

Sincerely,


Carolee Rogers, Chairman
(Signature/Title)

Enclosure

**VICKSBURG-TALLULAH DISTRICT AIRPORT BOARD
FINANCIAL STATEMENTS, STUDY
AND EVALUATION OF INTERNAL CONTROLS, COMPLIANCE
WITH LAWS AND REGULATIONS AND OTHER INFORMATION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997**

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**INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENTS**

Board of Directors
Vicksburg-Talulah District Airport Board
Mound, Louisiana

We have audited the accompanying general purpose financial statements of Vicksburg-Talulah District Airport Board as of and for the fiscal year ended November 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of Vicksburg-Talulah District Airport Board'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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 Vicksburg-Talulah District Airport Board, as of November 30, 1997, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 22, 1997, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Vicksburg, Mississippi
December 22, 1997

VICKSBURG-TALLULAH DISTRICT AIRPORT BOARD
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
NOVEMBER 30, 1997

	<u>ASSETS</u>				
	<u>Governmental</u>	<u>Proprietary</u>		<u>Account</u>	<u>Total</u>
	<u>Fund Type</u>	<u>Fund</u>	<u>Group</u>		
	<u>General</u>	<u>Enterprise</u>	<u>General</u>	<u>Fixed</u>	<u>(Memorandum</u>
			<u>Assets</u>	<u>Only)</u>	
CASH	\$ 55,814	\$ -	\$ -	\$ -	\$ 55,814
ACCOUNT RECEIVABLE					
- TRADE	-	18,466	-	-	18,466
PREPAID SUPPLIES	2,918	-	-	-	2,918
INVENTORY	-	13,975	-	-	13,975
DUE FROM OTHER FUNDS	50,093	-	-	-	50,093
PROPERTY AND PLANT:					
Land	-	-	364,958	-	364,958
Airport facilities	-	156,895	3,813,789	-	3,970,684
Airport equipment	-	198,650	372,699	-	471,349
Terminal building	-	-	238,670	-	238,670
Fuel truck	-	113,450	-	-	113,450
Office furniture, equipment and vehicles	-	-	19,587	-	19,587
Accumulated depreciation	-	(31,832)	-	-	(31,832)
 TOTAL ASSETS	 <u>\$ 188,963</u>	 <u>\$ 443,299</u>	 <u>\$ 4,809,645</u>	 <u>\$ -</u>	 <u>\$ 5,024,107</u>

See accompanying notes to financial statements.

LIABILITIES, EQUITY AND OTHER CREDITS

	<u>Governmental</u>	<u>Proprietary</u>	<u>Account</u>	
	<u>Fund Type</u>	<u>Fund</u>	<u>Group</u>	
		<u>Type</u>	<u>General</u>	<u>Totals</u>
	<u>General</u>	<u>Enterprise</u>	<u>Fund</u>	<u>(Microcosmian</u>
			<u>Assets</u>	<u>Only)</u>
LIABILITIES:				
Accounts and retainage payable	\$ -	\$ 824	\$ -	\$ 824
Accrued expenses	1,257	581	-	1,838
Installation purchase payable				
Current portion	-	13,319	-	13,319
Long-term portion	-	39,134	-	39,134
Due to other funds	-	30,092	-	30,092
	<u>1,257</u>	<u>103,911</u>	<u>-</u>	<u>105,228</u>
Total liabilities				
COMMITMENTS AND CONTINGENCY				
EQUITY AND OTHER CREDITS:				
Contributed capital	-	95,000	-	95,000
Investment in general fixed assets	-	-	4,599,643	4,599,643
Fund balances - undesignated	107,608	-	-	107,608
Retained earnings - unreserved	-	256,628	-	256,628
	<u>107,608</u>	<u>351,628</u>	<u>4,599,643</u>	<u>4,998,879</u>
Total equity and other credits				
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 108,865</u>	<u>\$ 455,539</u>	<u>\$ 4,599,643</u>	<u>\$ 5,074,107</u>

**VICKSBURG-TALLULAH DISTRICT AIRPORT BOARD
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997**

	<u>Governmental Fund Type General</u>
REVENUES:	
Intergovernmental interest and other	\$ 253,983
	<u>686</u>
Total revenues	<u>254,669</u>
EXPENDITURES:	
Current	
General government	<u>124,582</u>
Total expenditures	<u>124,582</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>110,087</u>
OTHER FINANCING USES:	
Operating transfers out	<u>(115,450)</u>
Total other financing uses	<u>(115,450)</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(5,363)
FUND BALANCE, beginning of year	<u>113,001</u>
FUND BALANCE, end of year	<u>\$ 107,638</u>

See accompanying notes to financial statements.

**VICKSBURG-TALLULAH DISTRICT AIRPORT BOARD
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
 FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1977**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Intergovernmental	\$ 344,680	\$ 233,960	\$ (110,717)
Interest and other	<u> </u>	<u> 588</u>	<u> 588</u>
Total revenues	<u>344,680</u>	<u>234,548</u>	<u>(110,131)</u>
EXPENDITURES:			
Current:			
General government	<u>279,330</u>	<u>324,582</u>	<u>45,252</u>
Total expenditures	<u>279,330</u>	<u>324,582</u>	<u>45,252</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>115,450</u>	<u>110,067</u>	<u>(5,383)</u>
OTHER FINANCING USES:			
Operating transfers out	<u>(115,450)</u>	<u>(115,450)</u>	<u> </u>
Total other financing uses	<u>(115,450)</u>	<u>(115,450)</u>	<u> </u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(5,393)	(5,393)
FUND BALANCE, beginning of year	<u>115,000</u>	<u>115,000</u>	<u> </u>
FUND BALANCE, end of year	<u>\$ 115,000</u>	<u>\$ 107,000</u>	<u>\$ (8,000)</u>

See accompanying notes to financial statements.

VECKSBURG-TALLULAH DISTRICT AIRPORT BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997

	<u>1997</u>
OPERATING REVENUES:	
Fuel sales	\$ 107,096
Hangar and property leases	37,231
Miscellaneous	129
Total operating revenues	144,456
OPERATING EXPENSES:	
Fuel purchases and truck leases	68,735
Repairs and maintenance	2,782
Payroll	18,457
Depreciation	23,149
Utilities	2,812
Miscellaneous	2,783
Insurance	3,851
Total operating expenses	123,569
INCOME FROM OPERATIONS	20,887
NONOPERATING REVENUES (EXPENSES):	
Interest expense	(5,671)
INCOME BEFORE OPERATING TRANSFERS	15,216
OPERATING TRANSFERS IN	113,450
NET INCOME	128,666
RETAINED EARNINGS, beginning of year	125,582
RETAINED EARNINGS, end of year	256,628
CONTRIBUTED CAPITAL	85,000
FUND EQUITY AT YEAR END	\$ 341,628

See accompanying notes to financial statements.

**VICKSBURG-TALLULAH DISTRICT AIRPORT BOARD
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997**

	<u>Receipts</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Income from operations	\$ 21,387
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	21,149
Increase in:	
Accounts receivable - trade	(9,393)
Inventory	(7,244)
Increase (decrease) in:	
Accounts and retainage payable	(2,165)
Accrued expenses	450
Due to other funds	<u>(8,268)</u>
Net cash provided by operating activities	<u>17,856</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:	
Principal payments on bond interest purchase payable	(12,185)
Interest paid on installment purchase payable	<u>(3,671)</u>
Net cash used in capital and related financial activities	<u>(15,856)</u>
Net increase in cash	-
CASH, at beginning of year	<u> -</u>
CASH, at end of year	<u>\$ -</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During 1997, the Louisiana entities contributed two fuel trucks with a value of \$115,450.

See accompanying notes to financial statements.

VICKSBURG-TALLULAH DISTRICT AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Airport Board was created in a joint effort between Mississippi and Louisiana, comprised of the City of Vicksburg, Mississippi, The City of Tallulah, Louisiana, Madison Parish, Louisiana Police Jury and The Warren County, Mississippi Board of Supervisors. The Airport Board is responsible for construction and management of the Vicksburg-Tallulah Airport. Members of the Board are appointed by the respective City, Parish or County. Each area is designated a specific number of members to appoint. Presently there are five Board members. Intergovernmental revenues and participating revenues are provided by these four entities or the State of Louisiana on behalf of the two Louisiana members. The airport is located in Mosand, Louisiana.

The Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB issued a revised codification of governmental accounting and financial reporting standards. The codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government. As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Airport Board has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

The entities above created a regional airport authority pursuant to the regulations of Mississippi and Louisiana and acting by and through the Louisiana Department of Transportation and Development, Office of Aviation and Public Transportation.

Basis of Presentation

The accompanying financial statements of the Vicksburg-Tallulah District Airport Board (political subdivision) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

VICKSBURG-TALULAH DISTRICT AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting

The accounts of the Vicksburg-Talulah District Airport Board 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 as appropriate.

Revenues are accounted for in those operating funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect expendable available financial resources. The funds presented in the accompanying general purpose financial statements are described as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Vicksburg-Talulah District Airport Board. It is used to account for all financial resources, except those required to be accounted for in another fund.

Capital Project Funds - Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by other funds. There were none in 1997.

Proprietary Fund Types

Enterprise Fund - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis to 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. Revenues generally are from facilities, property leases and hangar rental. Customers are pilots, individuals and corporations that utilize the airport facilities.

VICKSBURG-TALLULAH DISTRICT AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Enterprise Fund - Cowlmant - Fixed assets used in the proprietary fund operations are included on the balance sheet, net of accumulated depreciation. Depreciation is charged as an expense against operations. Depreciation is computed using the straight line method over the estimated useful lives. The airport facilities and equipment are depreciated over twenty years.

General Fixed Assets (GFA)

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost. No depreciation is recorded on general fixed assets.

Basis of Accounting

Basis of accounting refers to the point in time when revenues and expenditures are recognized and reported in the financial statements and is determined by the fund type in which the grant, entitlement or shared revenue transactions are recorded. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The governmental funds are maintained on the modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues - Revenues consist of reimbursement of eligible airport construction cost from the U. S. Department of Transportation and Development, Federal Aviation Administration. The Federal Aviation Administration (FAA) pays ninety percent of eligible cost, the remaining ten percent and all other reimbursement is derived from participating entities sharing one quarter each, unless agreed to otherwise. Grant funds from the Federal Aviation Administration are recorded when the Vicksburg-Tallahula District Airport Board has incurred the qualifying expenditure and all other grant requirements have been met. There were no funds received from the FAA in 1997.

Participation and intergovernmental revenues are recorded when the related expenditure is incurred.

Interest revenues are recorded as received.

VICKSBURG-TALLULAH DISTRICT AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Expenditures - Expenditures are recorded when the related fund liability is incurred.

Other Financing Sources (Uses) - Transfers between funds that are not expected to be repaid (in any other type, such as capital lease transactions, sales of fixed assets, debt extinguishments, long-term debt proceeds, or others) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

All proprietary funds are accounted for as a flow of economic resources management focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components, as applicable. All proprietary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recorded at the time liabilities are incurred. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Budgetary Practices

Annually, the Board adopts budgets on its General Fund. The budget is employed as a management control device during the year. All funds are adopted on a cash basis except for expenditures paid within thirty days of fiscal year-end. Budgeted amounts included in the accompanying financial statements include original adopted budget amounts and all subsequent amendments. Appropriations lapse at the end of each fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet and are not eliminated.

VICKSBURG-TALLULAH DISTRICT AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventory:

Inventory is valued at the lower of cost or market using the first-in, first-out method.

Contributed Capital:

Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

Total Columns on Combined Statements - Overview

The total column on the combined statements is captioned "Memorandum Only" to indicate that it is prepared only to facilitate financial analysis. Data in this column does not present financial position or results of operations 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.

NOTE B. CONTINGENCY

The Airport Authority receives Federal and State monies for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in request for reimbursement by the Granting Agency for expenditures disallowed under the terms and conditions of the appropriate agency. Management believes that expenditures disallowed would be insignificant, if any at all.

NOTE C. CASH

Cash includes amounts in interest bearing demand deposits. Under state law, the Board may deposit funds in demand deposits, interest bearing deposits, money market accounts, or time deposits with state banks organized under the laws of a state of the United States.

As of November 30, 1997, the bank balance of the board's deposits was \$55,834 and the bank balance was \$88,275. Of the bank balance, all was covered by federal depository insurance.

**VICKSBURG-TALLULAH DISTRICT AIRPORT BOARD
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997**

NOTE D. COMMITMENTS

On September 12, 1995, the Board entered into an agreement with a fuel vendor for the purchase of all AV gas and jet fuel. The agreement is for a period of twenty-four months with a five year renewal option. The purchase price is revisited weekly using a stated indicator. The contract expired in September 1997, and was not renewed.

During 1997, the Board entered into a three year contract for maintenance of the NDB and localizer for \$650 per month.

NOTE E. LEASES

On September 12, 1995, the Board entered into an operating lease with a fuel vendor for two fuel tanks. The lease term is for twenty-four months and may be renewed on a month to month basis. The total monthly lease payment is \$1,688. Rental expenditures under this lease were \$5,040 in 1997. The lease was canceled February 1999.

NOTE F. INSTALLMENT PURCHASE PAYABLE

On March 6, 1996, the Board executed a municipal lease and option agreement with LaSalle National Bank for the lease/option of a fuel farm for aviation fuel delivery. The Board paid \$120,000 down and is financing \$70,130 over 80 months with a monthly payment of \$1,403 and an interest rate of 9.0775%. The liability is secured by the fuel farm tanks and loading system.

Annual maturities for the remaining five years are as follows:

<u>November 30,</u>	
1998	\$ 13,339
1999	14,641
2000	15,985
2001	<u>8,120</u>
	<u>\$ 52,473</u>

**VIKSBURG-TALLULAH DISTRICT AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997**

NOTE G. CHANGES IN GENERAL FIXED ASSETS

The details of general fixed assets are as follows:

	December 1, 1996	Transfers/ Additions	Transfers/ Retirements	November 30, 1997
Land	\$ 364,958	\$ -	\$ -	\$ 364,958
Airport facilities	3,613,789	-	-	3,613,789
Airport equipment	272,609	-	-	272,609
Terminal building	238,670	-	-	238,670
Office furniture, equipment and vehicles	19,562	-	-	19,562
	<u>\$ 4,509,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,509,643</u>

NOTE H. SEGMENT INFORMATION

Beginning in 1995, the airport maintains one enterprise fund which is intended to be self-supporting through user fees charged for services to the public. Financial segment information as of and for the years ended November 30, 1997, is presented below.

Segment information not listed can be obtained from the financial statements.

Net working capital	\$ 9,690
---------------------	----------

NOTE I. PERSONNEL COSTS

Included in general government current expenditures is \$49,880 and \$79,657 included in the enterprise fund for the year ended November 30, 1997, which represents salaries and fringe benefits committed or owed to Madison Parish Police Jury. Airport personnel are paid by and considered employees of Madison Parish Police Jury. At November 30, 1997, \$380 of this amount was in accounts payable and \$1,838 was in accrued expenses.

Continued

VICKSBURG-TALLULAH DISTRICT AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1997

NOTE J. COMPENSATION PAID BOARD MEMBERS

Members of the Airport Board receive no compensation.

NOTE K. HANGAR AND PROPERTY LEASES

The airport leases hangars and property. The property leases are for a period of twenty years, whereas hangar leases generally are for annual periods and can be canceled with a 30-day notice. Annual rental to be collected on property leases for each of the next five years is \$23,134. The hangars have a cost of \$156,885 with related accumulated depreciation of \$11,767 at November 30, 1997. The property leased is a portion of the total Airport land.

III. STUDY AND EVALUATION OF INTERNAL CONTROLS AND COMPLIANCE



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

Board of Directors
Vicksburg-Tallahuloh District Airport Board
Monroe, Louisiana

We have audited the financial statements of Vicksburg-Tallahuloh District Airport Board as of and for the year ended November 30, 1997, and have issued our report thereon dated December 22, 1997. 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 Vicksburg-Tallahuloh District Airport Board'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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vicksburg-Tallahuloh District Airport Board'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Vicksburg-Tallahuloh District Airport Board's

Board of Directors
Vicksburg-Fallulah District Airport Board

Page Two

ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying paragraph.

As noted in prior years, all accounting functions are performed by few individuals which limits segregation of duties. Due to the size of the Board's operations, it may not be cost effective to utilize additional personnel. Since segregation of duties desired for a strong system of internal control cannot be achieved, we suggest that the Board of Directors continue to perform an active role in the review and authorization of invoices and disbursements and to routinely review general ledger activity.

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

The prior year comments were reviewed. No problems were noted in the current period pertaining to incorrect check signer authorizations and improvement was noted in accounting for fuel transactions. The Airport Board continues to evaluate the costs of preparing a complete policies and procedures manual.

This report is intended for the information of the Board, management, Federal Aviation Administration and applicable State Auditors. However, this report is a matter of public record and its distribution is not limited.

May + Company

Vicksburg, Mississippi
December 22, 1997