

235

OFFICIAL FILE COPY
DO NOT SEND OUT

OFFICIAL FILE COPY
DO NOT SEND OUT

OFFICIAL FILE COPY
DO NOT SEND OUT

Please remove copies from this page and PLACE back in file

TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT WITH SUPPLEMENTAL INFORMATION

December 31, 1997

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

Release Date MAY 20 1998

CONTENTS

PAGE

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	4
PRIMARY GOVERNMENT FINANCIAL STATEMENTS (COMBINED STATEMENTS - OVERVIEW)	
Combined balance sheet - all fund types and account groups	7
Combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types	9
Combined statement of revenues, expenditures, and changes in fund balances - budget (GAAP basis) and actual - general and special revenue fund types	10
Statement of revenues, expenses, and changes in retained earnings - proprietary fund type	11
Statement of cash flows - proprietary fund type	12
Notes to financial statements	13
SUPPLEMENTAL INFORMATION	
General Fund:	
Schedule of revenues	26
Schedule of expenditures	27
Special Revenue Funds:	
Combining balance sheet	28
Combining statement of revenues, expenditures, and changes in fund balances	29
Sales Tax Fund:	
Schedule of expenditures	30
Police Fund:	
Schedule of expenditures	31
Enterprise Fund - Utility Systems:	
Schedule of operating expenses	32
Schedule of general fund assets	33
OTHER SUPPLEMENTAL INFORMATION:	
Schedule of fiscal awards	34
Schedule of utility rates	35
Schedule of governing board	36
Schedule of insurance coverage	37

CONTENTS

PAGE

SPECIAL REPORTS OF INDEPENDENT AUDITORS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS	28
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-113	39
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	41

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

A LIMITED LIABILITY COMPANY

Certified Public Accountants

P.O. Box 1460

Cornington, Louisiana 70434-1460

James H. Smith, CPA
Patrick "Steve" Havel, CPA

(504) 852-4633 - Cornington
(504) 852-4666 - P.O.

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Board of Aldermen
Town of Pearl River, Louisiana

We have audited the accompanying primary government financial statements of the Town of Pearl River, Louisiana, as of and for the year ended December 31, 1997, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our 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 primary government financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of the Town of Pearl River, Louisiana, as of December 31, 1997, 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.

However, the primary government financial statements, because they do not include the financial data of the Housing Authority of the Town of Pearl River (the only component unit of the Town of Pearl River, Louisiana), do not present to, and do not, present fairly the financial position of the Town of Pearl River, Louisiana, as of December 31, 1997, 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.

Our audit was made for the purpose of forming an opinion on the primary government financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of

The Honorable Mayor and Board of Aldermen
Pearl River, Louisiana

contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Pearl River, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly presented in all material aspects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated April 1, 1998 on our consideration of the Town of Pearl River's internal control over financial reporting and, on its compliance with laws, regulations, contracts, and grants.

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

April 1, 1998

PRIMARY GOVERNMENT FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

Year of Prior Basis Available

COMBINED BALANCE SHEET - ALL FUNDS (TYPE 499-A) - 10/31/2007 - 00000000000000000000

December 31, 2007

ASSETS	Investing Fund Total		Proprietary Fund Total		Account Groups		Total
	Current	Deferred	Subtotal	Subtotal	Current Fund Assets	Deferred Long-Term Debt	
Cash on hand and in bank	27,200	49,900	76,100	26,000	0	0	102,100
Contributions of deposit				82,700			82,700
Receivables							
Property taxes	22,478						22,478
Makes loans	33,826	11,507					45,333
Other loans	11,807						11,807
Grants				21,124			21,124
Accounts receivable and interest receivable	289			811			1,100
Due from other funds	137,268	8,800					146,068
Due from other assets							
Business fund (including)				81,084			81,084
Trusts							
Retiree BOA Pension Fund				91,488			91,488
Grants							
Depreciation and Contingency Fund				26,227			26,227
Grants							
Contributions of deposit - 2007/2008	20,873						20,873
Contributions of deposit - 2006 project	75,990						75,990
Fund assets - net of liabilities			6,714,895	895,128			7,610,023
Accounts to be provided for retirement of capital lease and SAG to railroad						20,225	20,225
	14,411	73,112	3,550,895	955,128	20,225		4,673,781

The accompanying notes are an integral part of this statement.

Trust of David B. King, Trustee

COMBINED BALANCE SHEET - All Funds (Trustee's only account amounts) (continued)

December 31, 2007

	Comprehensive Fund Assets		Proprietary Fund Total	Amount Due To		Total
	Current	Invested		Due to Trust	General	
LIABILITIES AND FUND EQUITY						
Commitment fees	\$ 2,000	\$ 1,340	\$ 3,340	\$ -	\$ -	\$ 3,340
Accounts payable and accrued expenses						
Sales tax payable		18,287	18,287			18,287
Deferred income		11,055	11,055			11,055
Due to other funds						
Payables from unreported assets						
Interest payable on external funds		28,284	28,284			28,284
Services from vendors		17,085	17,085		28,790	45,875
Capital asset deposits					1,500	1,500
Due to railroad						
Long-term liabilities						
Bonds payable			288,811			288,811
Fund liabilities		27,744	27,744		28,285	56,029
Fund Equity						
Contributed capital			1,079,859		695,138	1,774,997
Investment in General Fund Assets						
Reserve earnings						
Reserve from Fund			83,299			83,299
Contingencies fund			38,274			38,274
Unreserved			28,066			28,066
Funds/Accounts						
Reserve for contingencies	22,478					22,478
Reserve for future projects	79,188					79,188
Unreserved and unappropriated	24,185	81,008	105,193			209,181
Total unappropriated	24,185	81,008	105,193			209,181
	\$ 14,000	\$ 97,572	\$ 2,058,664	\$ 695,138	\$ 28,729	\$ 2,837,103

The accompanying notes are an integral part of this statement.

Tiered Paid Plan, Limited

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

For the Year Ended December 31, 2007

	General	Special Accounts	Total
			Amounts in Millions of Dollars
Revenues			
Taxes	\$ 44,820	\$ 508,187	\$ 553,007
State fees	14,400		14,400
Grants	18,548		18,548
License and permits	62,427		62,427
Intergovernmental		8,823	8,823
Service charges	63,000		63,000
Interest	7,507	777	8,284
Other	10,800	18,180	28,980
Total revenues	<u>157,502</u>	<u>535,967</u>	<u>693,469</u>
Expenditures			
General Government	205,114		205,114
Police	264,855		264,855
Public works	80,141		80,141
Total expenditures	<u>550,110</u>	<u>427,746</u>	<u>977,856</u>
Excess (deficiency) of revenues over expenditures	102,392	108,221	210,613
Other financing sources (uses)			
Specialty franchises in		200,260	200,260
Specialty franchises sold	87,000	1,000,170	1,087,170
Total other financing sources (uses)	<u>87,000</u>	<u>1,200,430</u>	<u>1,287,430</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures and other financing uses			
Start balance, beginning	6884	6,2346	69,230
Total balance, ending	<u>55,376</u>	<u>65,471</u>	<u>120,847</u>
	\$ 202,672	\$ 62,698	\$ 265,370

The accompanying notes are an integral part of the statement.

Town of Peapack, Locusts

**COMPARISONS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—
GENERAL FUND BALANCE AND OTHER—REVENUE, AND SPECIAL REVENUE FUND TYPE**

For the Year Ended December 31, 2007

	General Fund		Revenue Projects		Special Revenue Fund		Revenue Projects Allocations
	Budget	Actual	Committed	Actual	Budget	Actual	
Revenues							
Taxes	\$ 49,000	\$ 54,000	\$ 11,000	\$ 34,348	\$ 56,107	\$ 56,107	\$ 13,180
Hour fees	10,000	14,000	0	0	0	0	0
Grants	0	10,500	0	10,500	0	0	0
License and permits	0	0	0	0	0	0	0
Revolving funds	0	0	0	0	0	0	0
Insurance benefits	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Total revenues	<u>59,000</u>	<u>78,500</u>	<u>11,000</u>	<u>44,848</u>	<u>56,107</u>	<u>56,107</u>	<u>13,180</u>
Expenditures:							
General government	17,000	20,114	0	0	0	0	0
Police	0	0	0	0	0	0	0
Public works	0	0	0	0	0	0	0
Total expenditures	<u>17,000</u>	<u>20,114</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (shortage) of revenues over expenditures	<u>42,000</u>	<u>58,386</u>	<u>11,000</u>	<u>44,848</u>	<u>56,107</u>	<u>56,107</u>	<u>13,180</u>
Other financing sources (uses)							
Operating transfers in	0	0	0	0	0	0	0
Operating transfers out	0	0	0	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance, beginning of year and other financing sources over expenditures and other financing uses	0	0	0	0	0	0	0
Fund balance, beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance, ending	<u>0</u>	<u>58,386</u>	<u>11,000</u>	<u>44,848</u>	<u>56,107</u>	<u>56,107</u>	<u>13,180</u>

The accompanying notes are an integral part of this statement.

Town of Pearl River, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMSSTATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
PROPRIETARY FUND TYPE

For the Year Ended December 31, 1997

	<u>1997</u>	<u>1996</u>
Operating revenues		
Sewer charges	\$ 162,492	\$ 159,046
Water charges	31,774	32,911
Late fees	4,218	4,218
Other fees and charges	17,127	4,812
Total operating revenues	<u>215,591</u>	<u>199,987</u>
Operating expenses		
Administrative and general	33,984	47,338
Sewerage system expense	78,284	50,899
Water system expense	11,322	10,053
Depreciation	121,068	150,089
Total operating expenses	<u>244,658</u>	<u>258,379</u>
Net operating loss	(29,067)	(77,672)
Non-operating revenues (expenses)		
Interest income	5,345	10,000
Reimbursments	-	12,942
Interest expense	(48,118)	(51,845)
Total non-operating revenues (expenses)	<u>(42,773)</u>	<u>(28,893)</u>
Net loss	(71,840)	(106,565)
Depreciation transferred to Contributed Capital	<u>129,421</u>	<u>121,296</u>
Net increase in retained earnings	57,581	20,216
Retained earnings - beginning	<u>21,321</u>	<u>21,185</u>
Retained earnings, ending	<u>\$ 78,902</u>	<u>\$ 41,401</u>

The accompanying notes are an integral part of this statement.

Town of Pearl River, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Year Ended December 31, 1997

	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:		
Net operating loss	\$ (58,288)	\$ (77,075)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation	171,068	158,869
Increase in receivables	(388)	(7,201)
Increase (decrease) in accounts payable	4,663	(82,168)
Increase in deferred revenue	513	4,238
Total adjustments	<u>175,042</u>	<u>83,838</u>
Net cash provided by operating activities	<u>116,754</u>	<u>11,933</u>
Cash flows from capital and related financing activities:		
Principal payments	(178,423)	(28,961)
Purchase of fixed assets	(65,445)	(609,822)
Interest payments	(51,297)	(54,836)
Rural development grant	25,890	-
Community development block grant proceeds	-	416,762
Reimbursements	-	13,943
Loan from other fund	<u>111,825</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(199,268)</u>	<u>(262,925)</u>
Cash flows from investing activities:		
Interest received	8,727	16,284
Redemptions (purchases) of certificates of deposit not classified as cash equivalents	<u>(4,324)</u>	<u>(72,379)</u>
Net cash provided by investing activities	<u>4,403</u>	<u>(56,095)</u>
Net decrease in cash and cash equivalents	(78,111)	(141,659)
Cash and cash equivalents at the beginning of the year	<u>223,858</u>	<u>284,329</u>
Cash and cash equivalents at the end of the year	<u>\$ 145,747</u>	<u>\$ 142,670</u>

The accompanying notes are an integral part of this statement.

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1987

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Pearl River was incorporated in 1906 under the provisions of the Lawmakers Act. The Town operates under a Mayor-Board of Aldermen form of government.

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

1. Reporting Entity

All activities of the primary government are included in these financial statements.

Based upon the criteria of Governmental Accounting Standards Board Statement No. 14, it has been determined that the Housing Authority of Town of Pearl River is the only component unit of the Town of Pearl River.

The Town, as the reporting entity, is the primary government. Governmental Accounting Standards Board Statement No. 14 provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, a primary government's financial statements are not a substitute for the reporting entity's financial statements. The Town has chosen to issue financial statements of the primary government only. As such, the accompanying financial statements are not intended to and do not report in accordance with Governmental Accounting Standards Board Statement No. 14.

2. Fund Accounting

The accounts of the Town of Pearl River 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 following funds and groups of accounts included in the accompanying financial statements are used by the Town of Pearl River:

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting - Continued

Governmental Funds:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for special purposes. The following are the Town's special revenue funds:

Sales Tax Fund - This fund is used to account for proceeds of the 2% Sales and Use Tax that is collected and restricted to the following uses:

1% of Levy dedicated for construction, resurfacing, lighting and improving public streets, sidewalks and bridges; contracting, purchasing, improving, maintaining and operating recreation facilities and equipment; contracting, acquiring or improving lands, buildings and any work of permanent public improvement, including equipment and furnishings therefor, and installing and operating sewerage and water systems including disposal plants, lagoons, etc., title to which shall be in the public.

1% of Levy dedicated to police department salaries and expenses. This portion is transferred to the police fund where police department expenditures are budgeted.

Police Fund - This fund is used to account for the expenditures of the police department.

Proprietary Fund:

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

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Land Accounting - Continued

General Fixed Assets and General Long-Term Debt Account Groups:

General Fixed Assets - 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 or estimated historical cost if actual historical cost is not available. Donated fixed assets are estimated at their fair market value on the date of donation. No depreciation is recorded on general fixed assets.

General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from governmental funds.

3. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance (net current assets). Accordingly, they are used to present a summary of resources and uses of "available spendable resources" during a period.

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. No depreciation has been provided on general fixed assets.

Fixed asset values are based on historical cost (if available) or estimated historical cost if historical cost was 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.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures.

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fixed Assets and Long-Term Liabilities - Continued

or fund liabilities. They are listed as liabilities in the General Long-Term Debt Account Group.

The two account groups are net "funds". They are concerned only with the measurement of financial positions. They are not involved with measurement of results of operations.

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

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

Sewerage System	25-40 years
Water System	25-40 years
Equipment	5-10 years

4. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Sales and other taxes and fees are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Ad valorem taxes are considered measurable when levied. Grants from other governments are recognized when qualifying expenditures are incurred.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unvested sick pay which is not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Bas. of Accounting - Continues

All proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

5. Budgets and Budgetary Accounting

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

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

- (1) The Mayor, Board of Aldermen, Town Clerk, and other advisory personnel assemble the necessary financial information. The Mayor submits the information for review to the Board of Aldermen at least 45 days prior to January 1 of the following year.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to the beginning of the new fiscal year, the budget is legally enacted through passage of a resolution by the Board of Aldermen.
- (4) The Mayor is authorized to transfer budgeted amounts among programs within a department, office or agency; however, any revisions that alter the total revenues and/or expenditures budgeted for any department, office, agency or fund must be approved by the Board of Aldermen.

The Town amended its budget during 1997 following the same procedures as above. These amendments are reflected in the budget comparisons.

6. Cash, Cash Equivalents, and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Town of Post River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Cash, Cash Equivalents and Investments - Continued

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

7. Accounts Receivable

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance is \$2,000 at December 31, 1997.

8. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Rental income from the Town's component unit is classified as a quasi-external transaction and reported as revenue in the General Fund.

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

9. Expenditures Exceeding Appropriations

Excess of expenditures over appropriations the General Fund occurred as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$ 174,679	\$ 225,114	\$ (50,435)

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Total Columns of Combined Statements - Overview

Total columns on the combined statements - overview are captioned "intermediary 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 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 - CASH AND CASH EQUIVALENTS

The Town's deposits at December 31, 1997, are summarized as follows:

Category 1	Carrying Amount	Bank Balance
Demand deposits	\$ 361,059	\$ 361,059
Certificates of deposit	182,423	182,423
Total	<u>\$ 443,482</u>	<u>\$ 443,482</u>

Under state law, the bank balances of 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 or exceed the amount on deposit with the fiscal agent. At December 31, 1997, deposits are entirely insured or collateralized with securities held by a mutually acceptable third party financial institution in the Town's name, which is considered a Category 1 investment credit risk as defined by the Governmental Accounting Standards Board. The carrying amount does not include accrued interest of \$370 on certificates of deposit.

For the purpose of the cash flows statement, cash for the Enterprise Fund is recapped as follows:

Unrestricted	\$ 28,072
Bond Sinking	89,084
Bond Reserve	31,489
Depreciation and Contingency	<u>36,251</u>
	<u>\$ 184,936</u>

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE C - DUE TO/FROM OTHER FUNDS

Individual fund interfund receivable and payable balances at December 31, 1997 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 127,091	\$ 5,000
Enterprise Fund	-	111,895
Special Revenue Funds	<u>5,823</u>	<u>15,156</u>
	<u>\$132,914</u>	<u>\$132,051</u>

NOTE D - AD VALOREM TAXES

Property taxes are normally levied and billed in December of each year and are due in February of the following year. Revenues are recognized when levied to the extent they are determined to be currently collectible. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Tammany Parish.

NOTE E - RESTRICTED ASSETS

Utility Revenue Bond requirements provide for certain restrictions of assets of the Enterprise Fund.

1. Revenue Bond Sinking Fund

The requirement calls for the establishment and maintenance of a Sewer Utility Revenue Bond and Sinking Fund sufficient in amount to pay promptly and in full the principal of and the interest on bonds authorized as they become due and payable. This requirement has been met as of December 31, 1997.

2. Revenue Bond Reserve Fund

The requirement calls for the establishment of a Revenue Bond Reserve Fund by depositing 5% of the amount required to be transferred to the Revenue Bond Sinking Fund until such time as there has been accumulated in said Reserve Fund a sum equal to the highest combined principal and interest payment in any year of the Bond. The sole purpose of this fund is to pay the principal of and the interest on the bonds payable from the Revenue Bond Reserve Fund as to which there would otherwise be in default. This requirement has been met as of December 31, 1997.

Town of Pearl River, Louisiana
 NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE B - RESTRICTED ASSETS (Continued)

3. Depreciation and Contingency Fund

The resolution called for the establishment and maintenance of a Depreciation and Contingency Fund to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Regular deposits of \$180 per month are to be deposited with the regularly designated fiscal agent of the Town. This requirement has been met at December 31, 1997.

NOTE F - FIXED ASSETS

The Town has established a detailed fixed asset listing using historical cost and estimated historical cost. Presented below is a summary of changes in general fixed assets:

	<u>Amount</u>
Balance at January 1, 1997	\$ 488,185
Additions	79,527
Retirements	<u>(19,576)</u>
Balance at December 31, 1997	<u>\$ 558,136</u>

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

Land	\$ 68,608
Sewer plant	871,654
Sewer lines	2,785,635
Water system	774,988
Street resurfacing	273,826
Tools and equipment	83,759
Trucks	12,380
Computer system	<u>6,870</u>
	4,799,807
Less: Accumulated Depreciation	<u>(4,181,142)</u>
Net	<u>\$ 3,614,665</u>

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE 6 - REVENUE BONDS PAYABLE

The following is a summary of revenue bond transactions of the Enterprise Fund for the year ended December 31, 1997:

	Revenue Bonds
Bonds Payable at 1/1/97	\$ 592,425
Bonds Issued	-
Bonds Retired	<u>(16,425)</u>
Bonds Payable at 12/31/97	<u>\$ 576,000</u>

Bonds payable at December 31, 1997 is comprised of the following individual bonds:

\$675,000 Utility Bonds dated 02/02/88; due in annual installments of \$61,466 including interest at 7.5%; secured by revenue of the Sewer System	\$ 576,000
Less current maturities	<u>(17,985)</u>
Long-term debt	<u>\$ 558,015</u>

The annual requirements to amortize Revenue Bonds Payable, including interest payments of \$66,916, are as follows as of December 31, 1997:

Year Ending December 31	Revenue Bonds
1998	\$ 61,466
1999	61,466
2000	61,466
2001	61,466
2002	61,466
Thereafter	<u>757,586</u>
	<u>\$1,044,506</u>

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE H - PENSION PLANS

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA

Plan Description. All full-time police department employees engaged in law enforcement are eligible to participate in the System. Employees who retire at or after age 50 with at least 30 years of creditable service or at or after age 55 with at least 15 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3-10 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employer contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established as amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Pearl River is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the Town of Pearl River are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuations and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Pearl River contributions to the System for the years ending December 31, 1995, 1996, and 1997 were \$3,578, \$5,429, and \$4,793, respectively, equal to the required contributions for each year.

NOTE I - CAPITAL LEASE OBLIGATIONS

The Town is obligated under a lease accounted for as a capital lease. The leased asset and related obligation is accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group, respectively. The assets under capital lease totaled \$53,912. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of December 31, 1997:

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE I - CAPITAL LEASE OBLIGATIONS (Continued)

<u>Year Ending December 31,</u>	<u>General Long-Term Debt Account Group</u>
1998	\$ 7,854
1999	7,855
2000	7,855
2001	<u>5,077</u>
Minimum lease payments	28,691
Amount representing interest	<u>2,851</u>
Present value of minimum lease payments	<u>\$ 23,750</u>

NOTE J - CHANGES IN CONTRIBUTED CAPITAL

The following details the components of Sewer Fund Contributed Capital at December 31, 1997:

Contributed Capital - Beginning	\$ 3,134,528
Additions	
Rural Development Grant	25,000
Decreases	
Depreciation on assets constructed substantially from funds supplied by contributions in aid of construction	<u>(128,471)</u>
Contributed Capital - Ending	<u>\$ 3,031,057</u>

NOTE K - BOARD OF ALDERMEN SALARIES

The Board of Aldermen receive three hundred dollars per monthly meeting, beginning in September, 1997. The Board of Aldermen salaries are included in the Town's General Fund.

SUPPLEMENTAL INFORMATION

Town of Pearl River, Louisiana

GENERAL FUND

SCHEDULE OF REVENUES

For the Year Ended December 31, 1997

Revenue:		
Taxes:		
Ad valorem tax	\$	30,141
Video poker		23,923
Tobacco		7,840
Beer		3,128
Grants		18,545
Court fines		94,886
Licenses and permits		87,627
Insurance licenses		33,930
Insurance		7,977
Other:		
Charges for services		4,408
Donations		1,533
Rental income		2,804
Other		<u>11,360</u>
Total revenue		<u>\$ 327,183</u>

Town of Paul River, Louisiana

GENERAL FUND

SCHEDULE OF EXPENDITURES

For the Year Ended December 31, 1997

General government:	
Salaries	\$ 54,471
Office expense	18,254
Alderman's expense	14,000
Utilities	13,939
Tree City USA	10,260
Other operating expense	9,623
Summer Camp Programs	8,846
Insurance	8,664
Repairs and maintenance	8,464
Recreation	5,890
Accounting	5,761
Dues and conventions	5,668
Contracted by vendor	4,814
Retirement	4,588
Payroll taxes	3,777
Town decorations	3,696
Vehicle expense	2,608
Animal control	2,491
Agency fees	2,251
Clerk expense	2,880
Tax collector's expense	2,251
Workman's compensation	712
Group insurance	689
Official journal	598
Capital outlay	<u>12,482</u>
Total	<u>\$ 275,114</u>

Town of Pearl River, Louisiana
 ALL SPECIAL REVENUE FUNDS
 COMBINED BALANCE SHEET

December 31, 1997

	<u>Sales Tax</u>	<u>Toll Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 41,441	\$ 7,962	\$ 49,403
Sales taxes receivable	17,787	-	17,787
Due from other funds	-	5,922	5,922
	<u>\$ 59,228</u>	<u>\$ 13,884</u>	<u>\$ 73,112</u>
LIABILITIES AND FUND BALANCE			
Accounts payable and accrued expenses	\$ 1,682	\$ 1,686	\$ 3,368
Due to other funds	<u>15,196</u>	<u>-</u>	<u>15,196</u>
Total liabilities	<u>16,878</u>	<u>1,686</u>	<u>18,564</u>
Fund balances:	<u>42,350</u>	<u>12,198</u>	<u>54,548</u>
	<u>\$ 59,228</u>	<u>\$ 13,884</u>	<u>\$ 73,112</u>

Town of Pearl River, Louisiana

ALL SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 1997

	<u>Sales Tax</u>	<u>Police Fund</u>	<u>Total</u>
Revenues			
Taxes	\$ 295,157	\$ -	\$ 295,157
Reimbursements	-	5,932	5,932
Interest	589	184	773
Other	<u>16,331</u>	<u>-</u>	<u>16,101</u>
Total revenues	<u>311,857</u>	<u>6,116</u>	<u>317,973</u>
Expenditures			
Public safety	-	264,655	264,655
Public works	<u>163,021</u>	<u>-</u>	<u>163,021</u>
Total expenditures	<u>163,021</u>	<u>264,655</u>	<u>427,676</u>
Excess (deficiency) of revenues over expenditures	148,736	(258,539)	(109,793)
Other financing sources (uses)			
Operating transfers in	14,799	347,500	362,299
Operating transfers out	<u>(165,173)</u>	<u>-</u>	<u>(165,173)</u>
Total other financing sources (uses)	<u>(150,374)</u>	<u>347,500</u>	<u>197,126</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>(1,638)</u>	<u>(11,039)</u>	<u>(12,677)</u>
Fund balance, beginning	<u>44,816</u>	<u>20,256</u>	<u>65,072</u>
Fund balance, ending	<u>\$ 43,178</u>	<u>\$ 9,217</u>	<u>\$ 52,395</u>

Town of Pearl River, Louisiana

SALES TAX FUND

SCHEDULE OF EXPENDITURES

For the Year Ended December 31, 1997

EXPENDITURES

Public works:

Salaries	\$ 57,633
General operating	28,819
Workman's compensation insurance	12,312
Paving materials	11,040
Railroad	16,680
Payroll taxes	4,528
Repairs and maintenance	3,426
Gasoline and fluids	2,366
Vehicle expenses	1,182
Insurance	990
Utilities	247
Capital outlay	22,354
Capital lease payments:	
Principal	5,678
Interest	<u>1,532</u>

Total \$ 161,081

Town of Pearl River, Louisiana

POLICE FUND

SCHEDULE OF EXPENDITURES

For the Year Ended December 31, 1997

EXPENDITURES

Public Safety:

Salaries	\$ 123,618
Vehicle expenses	22,929
Insurance	17,792
Uniforms and badges	11,629
Workmen's compensation insurance	11,566
Payroll taxes	11,173
Utilities	10,273
Prisoner meals	4,482
Retirement	3,978
Other	3,445
Training	3,006
Office supplies	2,899
Radio communications	2,340
Building repair and maintenance	1,811
Capital outlay	<u>24,676</u>

Total \$ 268,614

Town of Pearl River, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

SCHEDULE OF OPERATING EXPENSES

For the Year Ended December 31, 1997

	<u>1997</u>	<u>1996</u>
Administrative and General:		
Salaries	\$ 17,168	\$ 26,286
Insurance	2,588	3,994
Payroll taxes	3,185	2,834
Workman's compensation insurance	3,337	2,857
Postage	1,874	1,477
Professional fees	3,187	-
Education and training	325	600
Office supplies	<u>1,118</u>	<u>487</u>
Total	<u>\$ 33,884</u>	<u>\$ 47,534</u>
Sewerage Systems		
Salaries	\$ 15,499	\$ -
Utilities	21,134	17,136
Repairs and maintenance	22,868	14,326
Chemicals	2,368	3,890
Supplies	6,518	3,374
Sledge cut	-	3,255
Lab testing	2,881	3,669
Contract labor	3,083	2,410
Vehicle expenses	1,233	1,096
Other	4,452	837
State permit	300	598
Lubricants	<u>-</u>	<u>534</u>
Total	<u>\$ 78,284</u>	<u>\$ 58,889</u>
Water Systems:		
Salaries	\$ 7,167	\$ -
Water line and pump expense	-	8,667
Utilities	3,599	3,381
Water testing	<u>266</u>	<u>25</u>
Total	<u>\$ 11,132</u>	<u>\$ 12,073</u>

Town of Paul River, Louisiana

SCHEDULE OF GENERAL FIXED ASSETS

December 31, 1997

GENERAL FIXED ASSETS

Buildings	\$ 45,692
Land	111,235
Equipment and machinery	<u>798,329</u>
Total general fixed assets	<u>\$ 955,256</u>

INVESTMENT IN GENERAL FIXED ASSETS

Total investment in general fixed assets	<u>\$ 955,256</u>
--	-------------------

Town of Pearl River, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 1997

	Federal CFDA Number	Grant Number	Outstanding Balance/Federal Expenditures
<i>Federal Quarter</i>			
MAJOR PROGRAM			
U.S. Department of Agriculture			
<i>Rural and Economic Development Office</i>			
Loans for water and waste disposal systems for rural communities	16.760	N/A	\$ 376,000
NON-MAJOR PROGRAMS			
U.S. Department of Justice			
<i>Office of Community Oriented Policing Services</i>			
Universal hiring grant	16.710	97-LJ64-LDC-0000	7,500
COFS Mine Grant (passed through the St. Tammany Parish Sheriff's Office)	16.710	97-CC-95X-0000	<u>11,830</u>
Total Federal Awards			<u>\$ 395,330</u>

The Schedule of Expenditures of Federal Awards presents the federal loan balances and grant expenditures using generally accepted accounting principles. The loan balance is the principal outstanding at December 31, 1997. Expenditures are accounted for using the modified accrual basis of accounting.

Town of Pearl River, Louisiana
SCHEDULE OF UTILITY RATES
December 31, 1997

Sewer charges:

Single Family Residential	- \$19.25
Multi-Family Residential	- \$19.25 x No. of Units
School	- \$50.00 + .50 per Student and Staff
Commercial	- \$50.00

Water rates:

Single Family Residential	- \$8.50
Multi-Family Residential	- \$8.50 x No. of Units
Commercial - Low Volume User	- \$15.00
Commercial - High Volume User	- \$32.00
Institutional	- \$250.00
Light Industrial	- \$250.00

Town of Pearl River, Louisiana
SCHEDULE OF GOVERNING BOARD
 December 31, 1997

<u>Board of Aldermen</u>	<u>Term of Office</u>	<u>Compensation</u>
David McQueen, Mayor Pro-Tem Town of Pearl River Pearl River, LA 70452	December 31, 1998	\$ 2,800
Pat Walsh Town of Pearl River Pearl River, LA 70452	December 31, 1998	\$ 2,800
Billy Blackwell Town of Pearl River Pearl River, LA 70452	December 31, 1998	\$ 2,800
Theresa Zachanoff Town of Pearl River Pearl River, LA 70452	December 31, 1998	\$ 2,800
Richard Karchner Town of Pearl River Pearl River, LA 70452	December 31, 1998	\$ 2,800

Town of Pearl River, Louisiana
SCHEDULE OF INSURANCE COVERAGE
 December 31, 1997

Coverage	Amount of Coverage
Property and contents (aggregate)	\$ 692,160
Fidelity:	
Mayor	\$ 88,000
Town clerk	88,000
Assistant clerk	88,000
Utility clerk	88,000
Liability:	
General	\$ 500,000
Auto	500,000
Error and omissions	500,000
Law enforcement	500,000

Smith, Hurval & Associates, L.L.C.

A LIMITED LIABILITY COMPANY

Chartered Public Accountants

P.O. Box 1990

Covington, Louisiana 70434-1990

David H. Smith, CPA
David "Wayne" Hensel, CPA

CPA's # 11441 - Covington
#104 - #114 - #100

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

To the Honorable Mayor and Board of Aldermen
Pearl River, Louisiana

We have audited the general purpose financial statements of the Town of Pearl River, Louisiana, as of and for the year ended December 31, 1997, and have issued our report thereon dated April 1, 1998. 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.

As part of obtaining reasonable assurance about whether the Town of Pearl River, Louisiana's, general purpose 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 determinations of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs.

In planning and performing our audit, we considered Town of Pearl River, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Rural and Economic Development Office, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Smith, Hurval & Associates, L.L.C.

April 1, 1998

Smith, Hurst & Associates, L.L.C.

LL LIMITED LIABILITY COMPANY

Certified Public Accountants

P.O. Box 10402

Covington, Louisiana 70434-1000

James K. Smith, CPA
Patrick "Brent" Boudreau, CPA

2025 115 1115 - Covington
2025 115 1115 - 1000

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Board of Aldermen
Pearl River, Louisiana

We have audited the compliance of Town of Pearl River, Louisiana, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended December 31, 1997. Town of Pearl River, Louisiana, major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Pearl River, Louisiana management. Our responsibility is to express an opinion on Town of Pearl River, Louisiana, compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Pearl River, Louisiana's compliance with these requirements.

In our opinion, Town of Pearl River, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1997.

The management of Town of Pearl River, Louisiana, is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Pearl River, Louisiana's internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would

be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Rural and Economic Development Office and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

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

April 1, 1998

Town of Paul River

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 1997

Section 1

Financial Statements

1. Type of auditor's report	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses identified	None
b. Reportable conditions identified not considered to be material weaknesses	None Reported
c. Noncompliance material to the financial statements noted.	Yes

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified	None
b. Reportable conditions identified not considered to be material weaknesses	None Reported
2. Type of auditor's report issued on compliance for major program	Unqualified
3. Audit findings disclosed that are required in accordance with OMB A-133, Section 500a.	None
4. Identification of major program 18.360	Loans for water and waste disposal systems for rural communities
5. Dollar threshold used to distinguish between Type A and B programs.	\$100,000
6. Auditor qualified as a low-risk auditor under OMB A-133 Section 300	No

Section 2

Financial Statement Finding:

The actual expenditures and other uses of the general fund of \$327,193 exceeded by more than 5% the amount budgeted of \$271,364. This is a violation of state law.

Section 3

Federal Award Findings and Questioned Costs
(None reported)