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TOWN OF DELHI, LOUISIANA
FINANCIAL REPORT
SEPTEMBER 30, 1997

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Release Date MAR 25 1998

TOWN OF DELHI, LOUISIANA

**FINANCIAL REPORT
SEPTEMBER 30, 1997**

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TOWN OF DELHI, LOUISIANA

**FINANCIAL REPORT
SEPTEMBER 30, 1997**

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

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

December 3, 1997

The Honorable James A. Hopson, Mayor,
and the Members of the Board of Aldermen
Delhi, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Delhi, Louisiana, as of and for the year ended September 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Delhi, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Delhi, Louisiana, as of September 30, 1997, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

The general purpose financial statements for the year ended September 30, 1996, were audited by us, and we expressed an unqualified opinion on them in our report dated December 6, 1996, but we have not performed any auditing procedures relative to them since that date.

In accordance with Government Auditing Standards, we have also issued a report dated December 3, 1997, on our consideration of the Town of Delhi, Louisiana's internal control structure and a report dated December 3, 1997, on its compliance with laws and regulations.

Martin, Harrison & Smallwood, LLP

TOWN OF DELHI, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1997

	GOVERNMENTAL FUND TYPES		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
ASSETS			
Cash	128,693	415,505	-
Certificates of deposit	224,293	345,495	-
Receivables			
Services	-	998	-
Accrued interest	2,075	4,592	-
Tobacco tax	4,024	-	-
Franchise & privilege fees	18,110	-	-
Sales tax	-	34,657	-
Other taxes	1,399	-	-
Grant	4,216	-	-
Due from other funds	32,808	8,368	10,240
Other assets - meter deposits	10	-	-
Restricted Assets:			
Cash	-	-	11,706
Certificates of deposit	-	-	37,270
Accrued interest	-	-	-
Fixed assets	-	-	-
Amount available in debt service fund	-	-	-
Amount to be provided (in excess) for retirement of long-term debt	-	-	-
TOTAL ASSETS	<u>415,628</u>	<u>809,615</u>	<u>59,216</u>

(Continued)

See accompanying notes to financial statements.

PROPRIETARY FUND TYPE ENTERPRISE FUND (WATER SYSTEM)	ACCOUNT GROUPS		1997	1996
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTALS (MEMORANDUM ONLY)	TOTALS (MEMORANDUM ONLY)
86,034	-	-	630,232	813,078
352,484	-	-	922,272	692,423
68,080	-	-	69,078	69,114
4,160	-	-	10,827	7,500
-	-	-	4,024	4,024
-	-	-	18,110	17,522
-	-	-	34,657	38,273
-	-	-	1,399	-
-	-	-	4,216	4,659
-	-	-	51,416	67,664
-	-	-	10	10
59,890	-	-	71,596	75,760
86,724	-	-	123,994	102,613
787	-	-	787	657
2,436,830	7,885,473	-	10,322,303	10,103,898
-	-	59,216	59,216	55,391
-	-	(59,216)	(59,216)	(5,391)
<u>3,094,989</u>	<u>7,885,473</u>	<u>-</u>	<u>12,264,921</u>	<u>12,047,195</u>

TOWN OF DELHI, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1997

(Continued)

	GOVERNMENTAL FUND TYPES		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	36,768	52,528	-
Payroll taxes payable	3,149	-	-
Due to retirement systems	5,394	-	-
Due other funds	10,240	18,421	-
Payable from restricted assets:			
Customer deposits	-	-	-
General obligation bonds payable - long-term	-	-	-
TOTAL LIABILITIES	<u>55,551</u>	<u>70,949</u>	<u>-</u>
FUND EQUITY			
Contributed capital - grants	-	-	-
Investment in general fixed assets	-	-	-
Retained earnings			
Reserved for:			
Insurance claims	-	-	-
Unreserved	-	-	-
Fund balance			
Reserved for debt service	-	-	59,216
Reserved per sales tax ordinance	-	640,998	-
Unreserved			
Designated for community and economic development	-	97,668	-
Undesignated	360,077	-	-
TOTAL FUND EQUITY	<u>360,077</u>	<u>738,666</u>	<u>59,216</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>415,628</u>	<u>809,615</u>	<u>59,216</u>

(Concluded)

See accompanying notes to financial statements.

PROPRIETARY FUND TYPE ENTERPRISE FUND (WATER SYSTEM)	ACCOUNT GROUPS		1997	1996
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTALS (MEMORANDUM ONLY)	TOTALS (MEMORANDUM ONLY)
19,525	-	-	108,821	48,821
-	-	-	3,149	2,583
-	-	-	5,394	5,752
22,755	-	-	51,416	67,664
49,390	-	-	49,390	50,205
-	-	-	-	50,000
<u>91,670</u>	<u>-</u>	<u>-</u>	<u>218,170</u>	<u>225,025</u>
2,142,637	-	-	2,142,637	2,142,637
-	7,885,473	-	7,885,473	7,598,952
102,630	-	-	102,630	81,904
758,052	-	-	758,052	832,322
-	-	-	59,216	55,391
-	-	-	640,998	624,699
-	-	-	97,668	88,104
-	-	-	360,077	398,161
<u>3,003,319</u>	<u>7,885,473</u>	<u>-</u>	<u>12,046,751</u>	<u>11,822,170</u>
<u>3,094,989</u>	<u>7,885,473</u>	<u>-</u>	<u>12,264,921</u>	<u>12,047,195</u>

TOWN OF DELHI, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1997

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES			
Taxes	76,958	420,695	58,411
Fines	122,571	-	-
Licenses & permits	109,790	-	-
Franchise & privilege fees	58,879	-	-
Rent & leases	34,822	19,275	-
Oil & gas royalties	603	-	-
Garbage collection	150,215	-	-
Highway maintenance	8,162	-	-
Parish insurance rebates	6,056	-	-
Interest	15,421	25,238	2,054
Grants	23,108	-	-
Recreational facilities	11,290	-	-
Tobacco tax	16,097	-	-
Miscellaneous	20,687	2,337	-
Police supplemental pay	16,880	-	-
Video poker fees	40,029	-	-
TOTAL REVENUES	<u>711,568</u>	<u>467,545</u>	<u>60,465</u>
EXPENDITURES			
Current			
Administrative	121,328	8,188	5,000
Public works/safety	273,455	6,352	-
Streets, drainage & other capital improvements	169,164	70,352	-
General	290,533	22,170	-
Recreation	-	67,712	-
Lab & testing	-	-	-
Engineering	-	-	-
Capital outlay	-	287,080	-
Debt service			
Principal	-	-	50,000
Interest	-	-	1,437
Paying agent fees	-	-	203
TOTAL EXPENDITURES	<u>854,480</u>	<u>461,854</u>	<u>56,640</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(142,912)</u>	<u>5,691</u>	<u>3,825</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	157,547	52,719	-
Operating transfers out	(52,719)	(32,547)	-
	<u>104,828</u>	<u>20,172</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(38,084)</u>	<u>25,863</u>	<u>3,825</u>
FUND BALANCES - BEGINNING	<u>398,161</u>	<u>712,803</u>	<u>55,391</u>
FUND BALANCES - ENDING	<u>360,077</u>	<u>738,666</u>	<u>59,216</u>

See accompanying notes to financial statements.

<u>1997</u> <u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>	<u>1996</u> <u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
556,064	573,956
122,571	124,540
109,790	119,031
58,879	59,040
54,097	61,191
603	750
150,215	151,640
8,162	8,162
6,056	6,039
42,713	33,136
23,108	785,439
11,290	9,605
16,097	16,097
23,024	25,356
16,880	14,771
40,029	44,437
<u>1,239,578</u>	<u>2,033,190</u>
134,516	146,879
279,807	214,926
239,516	334,260
312,703	287,563
67,712	68,899
-	1,117
-	54,106
287,080	746,043
50,000	40,000
1,437	4,025
203	424
<u>1,372,974</u>	<u>1,898,242</u>
<u>(133,396)</u>	<u>134,948</u>
210,266	115,000
<u>(85,266)</u>	<u>(5,000)</u>
<u>125,000</u>	<u>110,000</u>
(8,396)	244,948
<u>1,166,355</u>	<u>921,407</u>
<u>1,157,959</u>	<u>1,166,355</u>

TOWN OF DELHI, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1997

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes		76,958	
Fines		122,571	
Licenses & permits		109,790	
Franchise & privilege fees		58,879	
Rent & leases		34,822	
Oil & gas royalties		603	
Garbage collection		150,215	
Highway maintenance		8,162	
Parish insurance rebates		6,056	
Interest		15,421	
Grants		23,108	
Recreational facilities		11,290	
Tobacco tax		16,097	
Miscellaneous		20,687	
Police supplemental pay		16,880	
Video poker fees		40,029	
TOTAL REVENUES	<u>601,012</u>	<u>711,568</u>	<u>110,556</u>
EXPENDITURES			
Current			
Administrative	126,800	121,328	5,472
Public works/safety	255,700	273,455	(17,755)
Streets, drainage & other capital improvements	158,500	169,164	(10,664)
General	263,550	290,533	(26,983)
Recreation	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>804,550</u>	<u>854,480</u>	<u>(49,930)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(203,538)	(142,912)	60,626
OTHER FINANCING SOURCES (USES)			
Operating transfers in	157,700	157,547	(153)
Operating transfers out	-	(52,719)	(52,719)
	<u>157,700</u>	<u>104,828</u>	<u>(52,872)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(45,838)	(38,084)	<u>7,754</u>
FUND BALANCES - BEGINNING	-	<u>398,161</u>	
FUND BALANCES - ENDING	<u>(45,838)</u>	<u>360,077</u>	

See accompanying notes to financial statements.

SPECIAL REVENUE FUND TYPES

<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	420,695	
	-	
	-	
	19,275	
	-	
	-	
	25,238	
	-	
	-	
	2,337	
	-	
	-	
<u>424,200</u>	<u>467,545</u>	<u>43,345</u>
	8,188	
	6,352	
	70,352	
	22,170	
	67,712	
	287,080	
<u>696,000</u>	<u>461,854</u>	<u>234,146</u>
(271,800)	5,691	277,491
-	52,719	-
-	(32,547)	(32,547)
-	20,172	(32,547)
(271,800)	25,863	<u>244,944</u>
-	712,803	
<u>(271,800)</u>	<u>738,666</u>	

TOWN OF DELHI, LOUISIANA

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - PROPRIETARY FUND TYPE - ENTERPRISE
FUND (WATER SYSTEM)

	FISCAL YEAR ENDED SEPTEMBER 30	
	1997	1996
OPERATING REVENUES		
Water charges	365,164	356,933
Sewer charges	123,722	130,065
Reconnect & tap fees	3,655	3,103
Miscellaneous	2,187	4,402
TOTAL OPERATING REVENUES	<u>494,728</u>	<u>494,503</u>
OPERATING EXPENSES		
Depreciation	79,752	79,330
Engineering fees	7,977	5,033
Insurance	24,060	20,907
Legal & professional fees	10,612	10,000
Miscellaneous	3,835	1,188
Office expense	4,502	5,723
Repair & maintenance	16,500	18,577
Retirement	2,143	2,320
Salaries	113,539	89,429
Supplies	69,490	47,715
Payroll taxes	8,913	7,032
Employee uniforms	3,565	3,882
Utilities	79,485	75,639
Vehicle maintenance	16,589	14,791
Sewer plant expense	2,801	2,742
Water & sewer analysis	4,352	2,998
TOTAL OPERATING EXPENSES	<u>448,115</u>	<u>387,306</u>
OPERATING INCOME	46,613	107,197
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue	25,149	24,194
Paying agent fees	(306)	(100)
	<u>24,843</u>	<u>24,094</u>
INCOME BEFORE OPERATING TRANSFERS	71,456	131,291
OPERATING TRANSFERS IN	-	-
OPERATING TRANSFERS OUT	<u>(125,000)</u>	<u>(110,000)</u>
NET INCOME (LOSS)	(53,544)	21,291
RETAINED EARNINGS - Beginning	<u>914,226</u>	<u>892,935</u>
RETAINED EARNINGS - Ending	<u>860,682</u>	<u>914,226</u>

See accompanying notes to financial statements.

TOWN OF DELHI, LOUISIANA

COMPARATIVE STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE - ENTERPRISE FUND (WATER SYSTEM)

	FISCAL YEAR ENDED SEPTEMBER 30	
	<u>1997</u>	<u>1996</u>
<u>OPERATING ACTIVITIES</u>		
Operating income	46,613	107,197
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	79,752	79,330
Decrease (increase) in:		
Accounts receivable	36	(592)
Accrued interest	(588)	1,044
Increase (decrease) in:		
Accounts payable	8,664	(1,176)
Accrued expenses	-	(2,807)
Due other funds	(14,343)	(5,914)
Customer deposits	(815)	1,941
Net cash provided by (used in) operating activities	<u>119,319</u>	<u>179,023</u>
<u>INVESTING ACTIVITIES</u>		
Interest revenue	25,149	24,194
Purchase of certificates of deposit	(668,086)	(810,664)
Redemption of certificates of deposit	633,089	719,982
Net cash provided by (used in) investing activities	<u>(9,848)</u>	<u>(66,488)</u>
<u>CAPITAL FINANCING ACTIVITIES</u>		
Purchase of fixed assets	(11,636)	(1,295)
Paying agent fees	(306)	(100)
Net cash provided by (used in) capital financing activities	<u>(11,942)</u>	<u>(1,395)</u>
<u>NON-CAPITAL FINANCING ACTIVITIES</u>		
Operating transfers in	-	-
Operating transfers out	(125,000)	(110,000)
Net cash provided by (used in) non-capital financing activities	<u>(125,000)</u>	<u>(110,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,471)	1,140
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>173,395</u>	<u>172,255</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>145,924</u>	<u>173,395</u>
<u>CASH AND CASH EQUIVALENTS AS SHOWN ON THE COMBINED BALANCE SHEET</u>		
Cash	86,034	107,286
Restricted cash	59,890	66,109
	<u>145,924</u>	<u>173,395</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	-	-

See accompanying notes to financial statements.

TOWN OF DELHI, LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
 BUDGET (GAAP BASIS) AND ACTUAL
 PROPRIETARY FUND TYPE - ENTERPRISE FUND (WATER SYSTEM)
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1997

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OPERATING REVENUES			
Water charges		365,164	
Sewer charges		123,722	
Reconnect & tap fees		3,655	
Miscellaneous		2,187	
TOTAL OPERATING REVENUE	<u>483,300</u>	<u>494,728</u>	<u>11,428</u>
OPERATING EXPENSES			
Depreciation		79,752	
Engineering fees		7,977	
Insurance		24,060	
Legal & professional fees		10,612	
Miscellaneous		3,835	
Office expense		4,502	
Repair & maintenance		16,500	
Retirement		2,143	
Salaries		113,539	
Supplies		69,490	
Payroll taxes		8,913	
Employee uniforms		3,565	
Utilities		79,485	
Vehicle maintenance		16,589	
Sewer plant expense		2,801	
Water & sewer analysis		4,352	
TOTAL OPERATING EXPENSES	<u>377,700</u>	<u>448,115</u>	<u>70,415</u>
OPERATING INCOME	105,600	46,613	(58,987)
NON-OPERATING REVENUE (EXPENSES)			
Interest revenue		25,149	
Paying agent fees		(306)	
	<u>20,000</u>	<u>24,843</u>	<u>4,843</u>
INCOME BEFORE OPERATING TRANSFERS	125,600	71,456	(54,144)
OPERATING TRANSFERS OUT	<u>(125,600)</u>	<u>(125,000)</u>	<u>600</u>
NET INCOME (LOSS)	-	(53,544)	<u>(53,544)</u>
RETAINED EARNINGS - Beginning	<u>-</u>	<u>914,226</u>	
RETAINED EARNINGS - Ending	<u>-</u>	<u>860,682</u>	

See accompanying notes to financial statements.

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

(1) Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

TOWN OF DELHI, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

B. Fund Accounting - Continued

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

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

PROPRIETARY FUND

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

The Enterprise Fund (Water System) is accounted for on a cost of services or "capital maintenance" basis. This means that all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet. Its reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

C. Fixed Assets and Long-Term Liabilities

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

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

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

TOWN OF DELHI, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

C. Fixed Assets and Long-Term Liabilities - Continued

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

There was no interest cost relative to fixed assets, therefore no interest capitalization has been made.

D. Basis of Accounting

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

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

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

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

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

E. Budgets and Budgetary Accounting

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

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

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

E. Budgets and Budgetary Accounting - Continued

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

F. Cash and Investments

At September 30, 1997, the Town's cash was made up of petty cash of \$350, cash on hand of \$10,000, checking accounts of \$585,609, and certificates of deposit maturing in 3 months or less of \$105,869, for a total of \$701,828. Cash included in this total of \$71,596 is restricted and is shown as such on the Combined Balance Sheet - All Funds Types and Account Groups

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

Statutes allow the Town to invest in bank savings accounts and certificates of deposit provided they are adequately collateralized by the bank. The Town is also allowed to invest in obligations of the U. S. Treasury. The Town had a total in certificates of deposits, which had maturities of more than three months, of \$1,046,266.

The Town's cash is secured by federal depository insurance of up to \$100,000 for demand deposits and \$100,000 for time deposits per financial institution plus collateral held by the pledging banks or their agents with a market value of \$1,926,330 (see schedule as follows).

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

F. Cash and Investments - Continued

	<u>Cash Equivalents</u>		Certificates of Deposit	<u>Total</u>
	<u>Cash</u>	<u>Certificates of Deposit</u>		
At September 30, 1997: Carrying Amount on Balance Sheet	<u>595,959</u>	<u>105,869</u>	<u>1,046,266</u>	<u>1,748,094</u>
<u>Bank Balances:</u>				
a: Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name</u>	<u>200,000</u>	<u>100,000</u>	<u>501,234</u>	<u>801,234</u>
b: Collateralized with securities held by pledging financial institution's trust department or agent <u>in the entity's name</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
c: Uncollateralized, including any securities held for the entity but <u>not in the entity's name</u>	<u>385,609</u>	<u>5,869</u>	<u>1,534,852</u>	<u>1,926,330</u>
Total Bank Balances	<u>585,609</u>	<u>105,869</u>	<u>2,036,086</u>	<u>2,727,564</u>

G. Bad Debts

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

H. Stewardship, Compliance and Accountability

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

I. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

TOWN OF DELHI, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 1997

J. On Behalf of Payments for Salaries

Included in the General Fund financial statements are amounts paid by the State of Louisiana as supplemental salaries to the Town's policemen. The payments of \$16,880 are included on the financial statement as Revenue and Public Works/Safety Expenditures.

(2) Property Tax

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

The Town is permitted by the Municipal Finance Law of the state to levy taxes up to 9.68 mills on the total assessed value for the Town for governmental services other than the payment of principal and interest on long-term debt and in required amounts for the payment of principal and interest on long-term debt.

For the year ended September 30, 1997, taxes of 15.9 mills were levied on property with assessed valuations totaling \$7,819,320 for a total of \$124,327. The taxes were dedicated as follows:

General corporate purposes	8.43 mills
Debt service	<u>7.47 mills</u>
	<u>15.90 mills</u>

(3) Property, Plant and Equipment

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

	<u>1997</u>	<u>1996</u>
Land	5,718	5,718
Buildings	189,433	187,437
Water tanks, lines, wells, etc.	2,007,335	2,007,335
Equipment	59,429	49,790
Sewer treatment plant	<u>1,918,443</u>	<u>1,918,443</u>
	4,180,358	4,168,723
Less: Accumulated depreciation	<u>1,743,528</u>	<u>1,663,777</u>
	<u>2,436,830</u>	<u>2,504,946</u>

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

(3) Property, Plant and Equipment - Continued

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

CHANGES IN GENERAL FIXED ASSETS

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>
General fixed assets - beginning of year	153,354	2,003,753	4,699,342
Additions:			
General fund	-	1,510	8,600
Sales tax	-	159,058	69,642
LCDBG	-	-	-
Deletions:			
Obsolete assets	<u>-</u>	<u>-</u>	<u>-</u>
General fixed assets - end of year	<u><u>153,354</u></u>	<u><u>2,164,321</u></u>	<u><u>4,777,584</u></u>

(4) Changes in Long-Term Debt

A summary of bond transactions of the Town for the year ended September 30, 1997 is as follows:

	<u>GENERAL OBLIGATION BONDS</u>
Bonds payable at September 30, 1996	50,000
Bonds retired	<u>50,000</u>
Bonds payable at September 30, 1997	<u><u>-</u></u>

<u>Equipment</u>	<u>1997 Total</u>	<u>1996 Total</u>
742,503	7,598,952	6,849,299
32,180	42,290	3,609
51,717	280,417	170,349
-	-	575,695
<u>(36,186)</u>	<u>(36,186)</u>	<u>-</u>
<u>790,214</u>	<u>7,885,473</u>	<u>7,598,952</u>

TOWN OF DELHI, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

(4) Changes in Long-Term Debt - Continued

Bonds payable at September 30, 1997, are comprised of the following individual issues:

	<u>INTEREST</u>	<u>PAYMENT</u>	<u>FINAL</u>	<u>MATURITY</u>
	<u>RATES</u>	<u>DATES</u>	<u>ISSUE</u>	<u>PAYMENTS</u>
	<u>RATES</u>	<u>DATES</u>	<u>DATE</u>	<u>PAYMENTS</u>
General Obligation Bonds:				
Sewer Improvement Bonds	6.0%	3/1; 9/1	3/1/72	3/1/
Industrial Improvement Bonds	6.0%	3/1; 9/1	3/1/72	3/1/

Total General Obligation Bonds

There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

The debt service fund is used to repay the 3/1/72 General Obligation Bonds.

On March 29, 1996, the Town placed cash in an irrevocable trust with Commercial National Bank in Shreveport, Louisiana, for the sole purpose of meeting scheduled payments of principal and interest of the Water and Sewer Revenue Bonds dated March 1, 1972. The likelihood of the Town being required to make future payments in connection with this debt is remote. The Town has therefore extinguished the debt in an indirect manner, referred to as an insubstance defeasance, even though the Town is not released from being the primary obligor under the debt obligation. The defeasance resulted in a surplus of funds amounting to \$13,382. It also removed restrictions on other bank deposits amounting to \$207,162. There was no new debt issued in connection with this defeasance. As disclosed in Governmental Accounting Standards Board Statements 7 and 23, this debt is no longer required to be reported as a liability on the balance sheet of the Proprietary Fund.

<u>ANNUAL SERIAL PAYMENTS</u>	<u>BONDS</u>			
	<u>AUTHORIZED</u>	<u>ISSUED</u>	<u>RETIRED</u>	<u>OUTSTANDING</u>
20,000(90-95) 25,000(96) 30,000(97)	360,000	360,000	360,000	-
10,000(89-92) 15,000(93-96) 20,000(97)	220,000	220,000	220,000	-
	<u>580,000</u>	<u>580,000</u>	<u>580,000</u>	<u>-</u>

TOWN OF DELHI, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

(4) Changes in Long-Term Debt – Continued

At September 30, 1997, the unpaid principal on these bonds was \$200,000. Commercial National Bank held U.S. Treasury Securities with a unit value of \$219,000 as of September 30, 1997, in an escrow account for retirement of these defeased bonds.

(5) Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at September 30, 1997, were as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	32,808	10,240
Special Revenue Funds	8,368	18,421
Debt Service Fund	10,240	-
Enterprise Fund	-	22,755
	<u>51,416</u>	<u>51,416</u>

(6) Sales Taxes

1/2% Sales Tax

On July 15, 1980, a resolution was adopted for a 1/2 cent sales tax for the Town. On September 13, 1980, a special election was held to vote on the proposed sales tax. The sales tax was adopted by a vote of 523 to 404 and became effective November 1, 1980, for ten years. On November 6, 1990, the sales tax was renewed for an additional ten year period. The revenue from this sales tax is dedicated as follows:

1. The first \$30,000 is dedicated to the maintenance, operation and addition to the Town's recreational facilities.
2. After satisfaction of the above, funds can be used in any of the areas listed below:
 - A. Street, sidewalk, bridge, and alley maintenance and improvement
 - B. Street light maintenance
 - C. Garbage collection
 - D. Police department
 - E. Fire department
 - F. Public parks
 - G. Airport
 - H. Real estate and equipment acquisition as related to the above

TOWN OF DELHI, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 1997

(6) Sales Taxes – Continued

1% Sales Tax

On October 7, 1989, the voters of the Town approved a 1% sales tax that became effective January 1, 1990. The revenue from this tax is dedicated to streets, drainage and other capital improvements.

(7) Risk of Loss

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

(8) Contingent Liabilities

Under the Town's personnel policies, all unused vacation and sick leave lapse as of September 30, therefore the accrual made for compensated absences was zero at this date.

(9) Compensation Paid to the Governing Body

The following amounts were paid to the Town's Board of Aldermen for the years ended September 30, 1997 and 1996:

<u>Board Member</u>	<u>Annual Compensation</u>
Robert Johnson	420
Lynn Lewis	420
Dan Tolar	420
Perry Smith	420
John Shore	420
	<u>2,100</u>

TOWN OF DELHI, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 1997

(10) Pension and Retirement Plans

Defined Benefit Pension Plans

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

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

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

	<u>September 30, 1997</u>		<u>September 30, 1996</u>		<u>September 30, 1995</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
MERS	2.75%	7,633	3.75%	9,034	3.75%	7,389
MPERS	9.00%	3,766	9.00%	2,135	9.00%	3,451

OTHER INDEPENDENT AUDITORS' REPORTS

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

CERTIFIED PUBLIC ACCOUNTANTS

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

December 3, 1997

The Honorable James A. Hopson, Mayor
and the Members of the Board of Aldermen
Delhi, Louisiana

We have audited the general purpose financial statements of the Town of Delhi, Louisiana, for the year ended September 30, 1997, and have issued our report thereon dated December 3, 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 general purpose financial statements are free of material misstatement.

The management of the Town of Delhi, 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 general purpose 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 general purpose financial statements of the Town of Delhi, Louisiana, for the year ended September 30, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of

The Honorable James A. Hopson, Mayor
and the Members of the Board of Aldermen

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 general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a 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 and 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Town of Delhi, Louisiana, in a separate letter dated December 3, 1997.

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

Martin, Harrison + Smallwood, LLP

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

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

December 3, 1997

The Honorable James A. Hopson, Mayor
and the Members of the Board of Aldermen
Delhi, Louisiana 71232

We have audited the general purpose financial statements of the Town of Delhi, Louisiana, as of and for the year ended September 30, 1997, and have issued our report thereon dated December 3, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by 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.

Compliance with laws, regulations, contracts, and grants applicable to the Town of Delhi, Louisiana, is the responsibility of the Town of Delhi, Louisiana's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Town of Delhi, Louisiana'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 tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

Martin, Harrison & Smallwood, LLP

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

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INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

December 3, 1997

The Honorable James A. Hopson, Mayor
and the Members of the Board of Aldermen
Delhi, Louisiana 71232

The general purpose financial statements of the Town of Delhi, Louisiana, for the year ended September 30, 1997, and our report thereon are presented in the preceding section of this report. Our audit was made primarily for the purpose of formulating an opinion on the general purpose financial statements taken as a whole. The other financial information presented hereinafter is for supplementary analysis purposes and is not considered necessary for a fair presentation of the financial position and results of its operations for the year then ended in conformity with generally accepted accounting principles.

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

Martin, Harrison & Smallwood, LLP

TOWN OF DELHI, LOUISIANA
SCHEDULE OF EXPENDITURES
GENERAL FUND

	FISCAL YEAR ENDED SEPTEMBER 30	
	<u>1997</u>	<u>1996</u>
ADMINISTRATIVE		
Salaries	59,352	58,250
Aldermens allowance	2,100	2,100
Advertising & publishing	10,333	4,563
Legal & accounting	14,771	14,472
Telephone	5,446	5,814
Utilities	7,760	9,723
Supplies & office expense	3,341	6,899
Miscellaneous	5,248	3,014
LMA meeting	5,027	4,716
Retirement fund	4,917	6,234
Capital outlay	1,911	-
Repairs & maintenance	1,122	2,097
	<u>121,328</u>	<u>117,882</u>
PUBLIC SAFETY		
Fire		
Volunteer firemen	9,000	9,000
Truck expense	2,562	3,671
Fuel, supplies & maintenance	10,667	8,824
Telephone	1,073	1,137
Capital outlay	1,511	-
	<u>24,813</u>	<u>22,632</u>
Police		
Salaries	149,943	128,925
Supplemental pay	16,880	14,771
Auto	11,480	7,863
Coroner fees	1,100	868
Supplies	8,379	3,234
Prisoner care	2,421	3,261
Telephone	2,644	2,541
Repairs	3,273	934
Uniforms	4,174	1,467
Miscellaneous	10,429	4,736
Retirement fund	3,765	2,135
Gas & oil (police cars)	14,277	12,492
Capital outlay	17,700	2,081
Law enforcement fund	2,177	2,098
	<u>248,642</u>	<u>187,406</u>
Total Public Safety	<u>273,455</u>	<u>210,038</u>

(Continued)

See auditors' report on other financial information.

TOWN OF DELHI, LOUISIANA
SCHEDULE OF EXPENDITURES
GENERAL FUND

(Continued)

	FISCAL YEAR ENDED SEPTEMBER 30	
	<u>1997</u>	<u>1996</u>
STREETS		
Salaries	89,654	79,718
Supplies	10,251	5,339
Utilities	36,768	37,069
Gas & oil	11,551	9,545
Equipment maintenance	17,057	12,239
Miscellaneous	2,608	3,113
Capital outlay	1,275	1,528
	<u>169,164</u>	<u>148,551</u>
GENERAL		
Health insurance	2,631	3,982
Garbage payment	143,528	139,109
Community Center #2	2,419	2,148
Pest control	1,294	1,185
Country Club maintenance	5,220	4,719
Beautification	1,468	2,664
Airport	3,170	4,221
Christmas decorations	2,608	370
Insurance	65,914	54,622
Dues	845	895
Miscellaneous	11,079	8,599
Payroll taxes	24,368	22,284
Day care center	51	-
Capital outlay	10,094	-
Civic Center	11,266	9,490
Railroad lease	650	650
Garbage bags	1,920	960
Hannah House	2,008	743
Airport master plan	-	9,522
	<u>290,533</u>	<u>266,163</u>
TOTAL EXPENDITURES	<u><u>854,480</u></u>	<u><u>742,634</u></u>

(Concluded)

See auditors' report on other financial information.

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

CERTIFIED PUBLIC ACCOUNTANTS

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MIKE M. MARTIN, CPA
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December 3, 1997

The Honorable James A. Hopson, Mayor
and the Members of the Town Council
Town of Delhi, Louisiana

In planning and performing our audit of the general purpose financial statements of the Town of Delhi, Louisiana (the Town of Delhi), for the year ended September 30, 1997, we considered the Town of Delhi's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and recommendations regarding those matters are discussed below. We previously reported on the Town of Delhi's internal control structure in our reports dated December 3, 1997. This letter does not affect our report dated December 3, 1997, on the general purpose financial statements of the Town of Delhi.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with appropriate members of the Town of Delhi's management. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments and recommendations are summarized as follows:

Finding: During our testing of revenues we found that a large tax payment received by the Town was not deposited in a timely manner.

Recommendation: All receipts should be deposited on a daily basis. The Town generally does a good job following this procedure, however consistent application is necessary to maintain good control in this area.

The Honorable James A. Hopson, Mayor
and the Members of the Town Council
December 3, 1997
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Finding: During the test of fine revenue we found the following situation. Some fines are paid in more than one installment. It is difficult to determine if those fines are all ultimately paid. Follow up on this type collection is not done on a consistent basis.

Recommendation: The Town should set up a schedule of all fines that are not paid in full on the due date. Town personnel should update the schedule as payments are made. This schedule should be reviewed by the Mayor on a monthly basis to insure proper collection action is taken.

We commend the Town on how it has improved its record keeping through utilization of its computer system. There have been major improvements in the areas of utility billing and the related accounts receivable and customer deposit function. We urge the Town to continue this effort in the future.

We appreciate the time and courtesy extended to us by you and your staff during the course of the audit and ask that you contact us at any time if you have any questions concerning the above comments and recommendations.

Respectfully,

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



Mike M. Martin
Certified Public Accountant

MMM/smd