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TOWN OF POLLOCK, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1998

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 June 11, 1999

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February 9, 1999

Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of the Town of Pollock, Louisiana as of December 31, 1998 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurances 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.

Governmental accounting standards require disclosure of certain matters regarding the year 2000 issue. Due to the unprecedented nature of the year 2000 issue, management believes that its effects and the success of remediation efforts will not be fully determinable before the year 2000. Since the effects of the year 2000 issue and the success of remediation efforts cannot be readily determined at the present time, management has elected to omit the required disclosures from the accompanying financial statements.

As discussed in Note 11, the Town is obligated to repay advances received by the General Fund from the Town's Municipal Airport Enterprise Fund. Due to inadequate accounting records, we were unable to form an opinion regarding the advances reported at \$302,737 in the accompanying financial statements.

Town of Pollock
February 9, 1999

In our opinion, except for the omission of year the 2000 disclosures and except for the effect of such adjustments, if any, that might have been determined to be necessary had prior year records described in the previous paragraphs been adequate, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Pollock, Louisiana, as of December 31, 1998, 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.

In accordance with Government Auditing Standards, we have also issued a report dated February 9, 1999, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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



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February 9, 1999

**INDEPENDENT AUDITORS' 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 Board of Directors
Town of Pollock, Louisiana
Pollock, Louisiana

We have audited the financial statements of the Town of Pollock, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated February 9, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

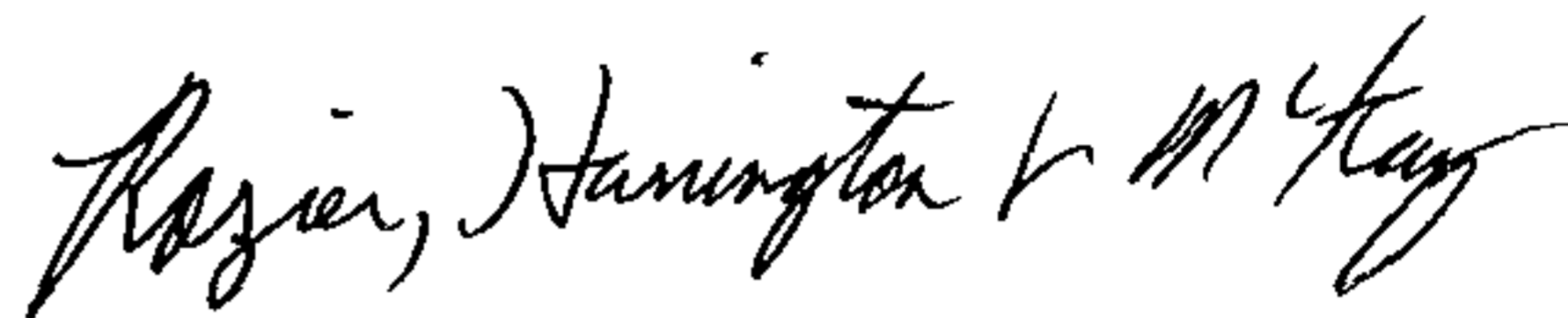
As part of obtaining reasonable assurance about whether the Town of Pollock, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and is described in the accompanying schedule of findings and questioned costs as item 98-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Pollock, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might

be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

TOWN OF POLLOCK, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS

Combined Balance Sheet
 December 31, 1998

	Governmental Funds		Proprietary Funds Enterprise Funds	Account Group			Total (Memorandum Only)
	General Fund	Capital Projects Funds		General Fixed Assets	General Long-term Debt		
Cash	\$ 74,204	\$ -	\$ 23,235	\$ -	\$ -	\$ 97,439	
Receivables	18,433	-	11,830	-	-	30,263	
Restricted assets:							
Cash	-	180,856	69,514	-	-	250,370	
Interfund Receivable	-	-	2,462	-	-	2,462	
Advances to other funds	-	-	302,737	-	-	302,737	
Land, buildings and equipment (net of accumulated depreciation)	-	-	7,703,880	156,907	-	7,860,787	
Amount to be provided for retirement of general long-term debt	-	-	-	-	5,227	5,227	
Total assets	\$ 92,637	\$ 180,856	\$ 8,113,658	\$ 156,907	\$ 5,227	\$ 8,549,285	

ASSETS

The accompanying notes are an integral part of this statement.

TOWN OF POLLOCK, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS

Combined Balance Sheet
 December 31, 1998

	Governmental Funds		Proprietary Funds Enterprise Funds	Account Group		Total (Memorandum Only)
	General Fund	Capital Projects Funds		General Fixed Assets	General Long-term Debt	
LIABILITIES:						
Accounts and other payables	\$ 7,104	\$ 61,870	\$ 1,331	\$ -	\$ -	\$ 70,305
Interfund payables	2,462	-	-	-	-	2,462
Advances from other funds	302,737	-	-	-	-	302,737
Deposits due others	-	-	17,844	-	-	17,844
Capital lease obligation	-	-	-	5,227	-	5,227
General obligation bonds payable	-	-	27,000	-	-	27,000
Revenue bonds payable	-	-	472,209	-	-	472,209
Total liabilities	\$ 312,303	\$ 61,870	\$ 518,384	\$ 5,227	\$ -	\$ 897,784
EQUITY:						
Investment in general fixed assets	-	-	-	-	156,907	156,907
Contributed capital	-	-	7,232,121	-	-	7,232,121
Retained Earnings:						
Reserved by bond covenants	-	-	36,932	-	-	36,932
Reserved for airport operations	-	-	337,781	-	-	337,781
Unreserved	-	-	(11,560)	-	-	(11,560)
Fund Balances:						
Reserved for economic development	-	118,986	-	-	-	118,986
Unreserved	(219,666)	-	-	-	-	(219,666)
Total equity	(219,666)	118,986	7,595,274	-	156,907	7,651,501
Total liabilities and equity	\$ 92,637	\$ 180,856	\$ 8,113,658	\$ 5,227	\$ 156,907	\$ 8,549,285

The accompanying notes are an integral part of this statement.

**TOWN OF POLLOCK, LOUISIANA
GOVERNMENTAL FUNDS**

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended December 31, 1998

	GENERAL FUND	CAPITAL PROJECTS FUNDS	TOTAL (MEMORANDUM ONLY)
REVENUES:			
Taxes:			
Ad valorem	\$ 8,417	\$ -	\$ 8,417
Sales	40,624	-	40,624
Other	18,312	-	18,312
Licenses and permits	29,826	-	29,826
Intergovernmental:			
COPS grant	24,356	-	24,356
State capital outlay	-	1,750,636	1,750,636
Other state funds	10,515	-	10,515
Fines and forfeitures	65,040	-	65,040
Use of money and property	2,782	16,272	19,054
Other	2,052	1,150	3,202
	<u>201,924</u>	<u>1,768,058</u>	<u>1,969,982</u>
EXPENDITURES:			
General government	84,434	300	84,734
Public safety	93,844	-	93,844
Public works	-	1,767,879	1,767,879
Sanitation	13,474	-	13,474
	<u>191,752</u>	<u>1,768,179</u>	<u>1,959,931</u>
Excess (deficiency) of revenues over expenditures	10,172	(121)	10,051
OTHER FINANCING SOURCES (USES):			
Operating transfers in	10,763	-	10,763
Operating transfers out	(11,083)	-	(11,083)
	<u>9,852</u>	<u>(121)</u>	<u>9,731</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	9,852	(121)	9,731
Fund balance (deficit) - beginning of year:	<u>(229,518)</u>	<u>119,107</u>	<u>(110,411)</u>
Fund balance (deficit) - end of year	<u>\$ (219,666)</u>	<u>\$ 118,986</u>	<u>\$ (100,680)</u>

The accompanying notes are an integral part of this statement.

**TOWN OF POLLOCK, LOUISIANA
GENERAL FUND**

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 1998

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES:</u>			
Taxes:			
Ad valorem	\$ 6,000	\$ 8,417	\$ 2,417
Sales	35,000	40,624	5,624
Other	17,000	18,312	1,312
Licenses and permits	29,000	29,826	826
Intergovernmental:			
COPS grant	24,356	24,356	-
Other state funds	-	10,515	10,515
Fines and forfeitures	59,455	65,040	5,585
Use of money and property	-	2,782	2,782
Other	10,000	2,052	(7,948)
Total revenues	180,811	201,924	21,113
<u>EXPENDITURES:</u>			
General government	89,620	84,434	5,186
Public safety	82,441	93,844	(11,403)
Sanitation	8,750	13,474	(4,724)
Total expenditures	180,811	191,752	(10,941)
Excess (deficiency) of revenues over expenditures	-	10,172	10,172
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating transfers in	-	10,763	10,763
Operating transfers out	-	(11,083)	(11,083)
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	9,852	9,852
Fund balance (deficit) - beginning of year	(229,518)	(229,518)	-
Fund balance (deficit) - end of year	\$ (229,518)	\$ (219,666)	\$ 9,852

The accompanying notes are an integral part of this statement.

**TOWN OF POLLOCK, LOUISIANA
PROPRIETARY FUNDS**

Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Year Ended December 31, 1998

	<u>PROPRIETARY FUNDS</u> <u>ENTERPRISE</u> <u>FUNDS</u>
<u>OPERATING REVENUES:</u>	
Water sales	76,678
Sewer services	37,449
Other	9,488
	123,615
<u>OPERATING EXPENSES:</u>	
Depreciation	74,236
Insurance	1,687
Legal and professional	2,312
Miscellaneous	12,283
Office expense	662
Payroll taxes and benefits	4,652
Repairs and maintenance	31,702
Salaries and wages	32,172
Utilities and telephone	9,130
	168,836
Operating income (loss)	(45,221)
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Ad valorem taxes	4,734
Interest expense	(28,434)
Other	2,661
	(66,260)
Net income (loss) before operating transfers	(66,260)
Operating transfers in	320
	(65,940)
Add depreciation on fixed assets acquired with contributed capital	53,366
	(12,574)
Net increase (decrease) in retained earnings	(12,574)
Retained earnings - beginning of year	375,727
	363,153
Retained earnings - end of year	\$ 363,153

The accompanying notes are an integral part of this statement.

**TOWN OF POLLOCK, LOUISIANA
PROPRIETARY FUNDS**

Combined Statement of Cash Flows
For the Year Ended December 31, 1998

PROPRIETARY FUNDS

Enterprise Funds

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating loss	\$ (45,221)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	74,236
(Increase) decrease in receivables from utility sales	5,080
Increase (decrease) in accounts and other payables	(1,148)
Increase (decrease) in deposits due others	(176)
Net cash provided (used) by operating activities	32,771

CASH FLOW FROM NON-CAPITAL FINANCING

ACTIVITIES:

Repayment of advance	4,000
Operating transfers from general fund	10,870
Ad valorem tax receipts	7,017
Other	2,661
Net cash provided (used) by non-capital financing activities	24,548

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Interest paid on general obligations and revenue bonds	(28,434)
Principal paid on general obligation bonds	(1,000)
Principal paid on revenue bonds	(16,606)
Net cash provided (used) by capital and related financing activities	(46,040)

Net increase (decrease) in cash	11,279
Beginning cash balance	81,470
Ending cash balance	92,749
Restricted cash balance	69,514
Unrestricted cash balance	\$ 23,235

Supplemental Disclosure of Cash Flow Information:

For the year ended December 31, 1998, the Town's Airport Fund reduced the balance due on its advance to the General Fund by \$10,550 in exchange for services provided by the General Fund. In addition, construction cost totaling \$51,416 related to an access road for the Town's airport property were incurred by the Capital Outlay Fund. Furthermore, construction cost totaling \$1,700,536 related to extending the Town's water and sewer systems were also also incurred by the Capital Outlay Fund.

The accompanying notes are an integral part of this statement.

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

FINANCIAL REPORTING ENTITY

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

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

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

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

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

FUND ACCOUNTING

The accounts of the Town are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the Town:

GOVERNMENTAL FUND TYPE

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

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

PROPRIETARY FUNDS

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

ACCOUNT GROUPS

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

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

BASIS OF ACCOUNTING

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

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

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

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

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

The basis of accounting followed by proprietary funds is similar to accounting practices utilized by business enterprises. Due to these similarities, proprietary funds are allowed to follow certain pronouncements that are developed by the *Financial Accounting Standards Board (FASB)* for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before November 30, 1989.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED ASSETS:

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

BUDGET PRACTICES:

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

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

FIXED ASSETS:

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

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

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

Property and equipment used in the proprietary fund operations are recorded at cost or estimated historical cost, including capitalized interest. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Prior to January 1, 1995, there were few records supporting the cost; therefore, cost were estimated based on research performed by the Town's consulting engineers.

CASH AND CASH EQUIVALENTS:

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

ENCUMBRANCE ACCOUNTING:

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Since encumbrances do not represent liabilities or current expenditures, encumbrances are not reported in the accompanying financial statements.

INTERFUND TRANSACTIONS:

Interfund transactions are reported as operating transfers when the recipient fund is not expected to provide repayment. Transactions that are expected to result in repayment are reported as an interfund receivables and payables. Any interfund receivables and payables that are not expected to be repaid within one year are classified as advances.

TOTAL COLUMNS ON COMBINED STATEMENTS:

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

STATEMENT OF CASH FLOWS:

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

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

FUND EQUITY:

CONTRIBUTED CAPITAL

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

RESERVES

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

NOTE 2 - RECEIVABLES

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
<u>Accounts Receivable</u>				
Utility Accounts	\$ ---	\$ ---	\$ 11,830	\$ 11,830
Ad Valorem Taxes	4,212	---	---	4,212
Franchise Taxes	3,346	---	---	3,346
Other	446	---	---	446
Total Accounts Receivable	8,004	---	11,830	19,834
<u>Due From Other Governmental Units</u>				
Sales Taxes	4,340	---	---	4,340
U.S. Department of Justice	6,089	---	---	6,089
Total Due From Other Governments	10,429	---	---	10,429
Total Receivables	\$ 18,433	\$ ---	\$ 11,830	\$ 30,263

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

NOTE 3 - CASH AND CASH EQUIVALENTS

At December 31, 1998 the Town's cash balance totaled \$347,809 (book balance) and \$353,332 (bank balance). The composition of these accounts is as follows:

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
Cash	\$ 74,204	\$ ---	\$ 23,235	\$ 97,439
Restricted Cash	---	180,856	69,514	250,370
Total Cash	\$ 74,204	\$ 180,856	\$ 92,749	\$ 347,809

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

At December 31, 1998, the Town has \$353,332 in deposits (collected bank balance). These deposits are secured from risk by \$228,435 of federal deposit insurance and \$401,625 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

NOTE 4 - LONG-TERM DEBT

The Town has acquired a new police car under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the vehicle have been capitalized. The leased property is reported in the general fixed assets account group at its original cost of \$19,766. The terms of the lease require 36 payments of \$594 each. At December 31, 1998, nine payments remain, all of which are due in one year. The remaining payments have a present value of \$5,227.

Changes in general long-term debt are presented as follows:

Capital lease obligations at January 1, 1998	\$ 11,869
Additions	---
Deductions	6,642
Capital lease obligations at December 31, 1998	\$ 5,227

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

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

	<u>General Obligation</u>	<u>Utility Revenue</u>	<u>Total</u>
Bond Payable, December 31, 1997	\$ 28,000	\$ 488,815	\$ 516,815
Issued	---	---	---
Retired	1,000	16,606	17,606
<u>Bonds Payable, December 31, 1998</u>	<u>\$ 27,000</u>	<u>\$ 472,209</u>	<u>\$ 499,209</u>

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

	<u>Outstanding Balance</u>	
	<u>General Obligation</u>	<u>Utility Revenue</u>
\$220,000 Water Revenue Bonds dated October 30, 1975, due in annual installments ranging from \$2,000 to \$13,000 plus interest at 5%, final installment due January 1, 2015.	\$ ---	\$ 138,780
\$25,000 Water Public Improvement Bonds Series A dated October 31, 1975, due in annual installments ranging from \$500 to \$1,000 plus interest at 5%, final installment due January 1, 2015.	13,500	---
\$25,000 Water Public Improvement Bonds Series B dated October 31, 1975, due in annual installments ranging from \$500 to \$1,000 plus interest at 5%, final installment due January 1, 2015.	13,500	---
\$225,000 Sewer Revenue Bonds dated November 10, 1981, due in annual installments ranging from \$2,000 to \$12,000 plus interest at 5%, final installment due November 10, 2021.	---	178,318
\$25,000 Water Revenue Bonds dated December 27, 1979, due in annual installments ranging from \$500 to \$1,000 plus interest at 5%, final installment due January 1, 2018.	---	15,686
\$140,000 Water Revenue Bonds dated June 22, 1983, due in annual installments ranging from \$1,000 to \$9,000 plus interest at 7.375%, final installment due January 1, 2023.	---	113,203
\$23,215 Rescheduling of Water Revenue Bonds per agreement dated February 7, 1997, due in monthly installments of \$151 including interest of 5%, final installment due December 7, 2015.	---	20,323

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

	<u>Outstanding Balance</u>	
	<u>General Obligation</u>	<u>Utility Revenue</u>
\$6,292 Rescheduling of Water Revenue Bonds per agreement dated February 7, 1997, due in monthly installments of \$44 including interest at 7.375%, final installment due August 7, 2023.	---	5,899
Total	\$ 27,000	\$ 472,209

A schedule of maturities of long-term debt follows for the years ended December 31:

	<u>General Obligation</u>	<u>Utility Revenue</u>	<u>Total</u>
1999	\$ 1,000	\$ 13,425	\$ 14,425
2000	1,000	13,475	14,475
2001	1,000	14,528	15,528
2002	1,000	16,584	17,584
2003	1,000	16,643	17,643
Thereafter	22,000	397,554	419,554
Total	\$ 27,000	\$ 472,209	\$ 499,209

NOTE 5 - AD VALOREM TAXES

The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Grant Parish. For the year ended December 31, 1998, the Town levied 8.0 mills for general corporate purposes and 4.5 mills for debt service on general obligation bonds issued by the waterworks enterprise fund.

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

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of the property and equipment at December 31, 1998 consists of the following:

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

	Balance 12/31/97	Additions	Disposals	Balance 12/31/98
<u>General Fixed Assets</u>				
Buildings	\$ 86,800	\$ 17,565	\$ ---	\$ 104,365
Vehicles	34,735	---	---	34,735
Equipment	15,747	2,060	---	17,807
Totals	\$ 137,282	\$ 19,625	\$ ---	\$ 156,907

	Balance 12/31/97	Additions	Disposals	Balance 12/31/98
<u>Proprietary Fund Fixed Assets</u>				
Water Distribution System	\$ 973,910	\$ ---	\$ ---	\$ 973,910
Wastewater System	1,748,521	---	---	1,748,521
Airport Improvements	168,400	---	---	168,400
Construction in Progress	4,074,174	1,751,952	---	5,826,126
Land	20,600	---	---	20,600
Total	6,985,605	1,751,952	---	8,737,557
Less Accumulated Depreciation	(959,441)	(74,236)	---	(1,033,677)
Net Property and Equipment	\$ 6,026,164	\$ 1,677,716	\$ ---	\$ 7,703,880

NOTE 7 - CAPITAL OUTLAY

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

Planning for water supply and sewage treatment disposal for the U.S. Correctional Complex	\$ 565,000
Construction of water supply and sewage treatment disposal facilities to serve the U.S. Correctional Complex	3,000,000
Construction of access roads for the U.S. Correctional Complex	3,180,000
<u>Total Funding</u>	<u>\$ 6,745,000</u>

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

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

	<u>Current Expenditures</u>	<u>Previous Expenditures</u>	<u>Total</u>
Water Supply and Sewage Treatment:			
Planning	\$ ----	\$ 565,000	\$ 565,000
Construction	1,700,536	1,283,896	2,984,432
Construction of Access Roads	51,416	2,245,878	2,297,294
Total Capital Outlay Expenditures	\$ 1,751,952	\$ 4,094,774	\$ 5,846,726

NOTE 8 - CONTRIBUTED CAPITAL

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

Beginning Balance	\$ 5,533,536
Current Capital Outlay	1,751,952
Depreciation on Improvements Financed with Contributed Capital	(53,367)
Ending Balance	\$ 7,232,121

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risk of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town insures against these risk described above by participating in a public entity risk pool that operates as a common insurance program and by purchasing commercial insurance coverage. Settled claims resulting from these insured risk have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 - PENSION PLAN

The Chief of Police is the only employee eligible for retirement benefits. The Chief of Police is a member of the Municipal Police Employees Retirement System of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by separate board of trustees. Pertinent information relative to this plan is presented as follows:

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 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 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 employee 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 or amended by state statute.

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

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 70800-2250, 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 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 is established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the years ending December 31, 1998, 1997, and 1996 were equal to the required contributions for each year.

NOTE 11 - INTERGOVERNMENTAL AGREEMENT

The Town operates a municipal airport on property that was originally donated by the Federal Government. Since the property was provided by Federal sources, the Federal government retains a degree of oversight responsibility. In the course of exercising its oversight responsibility, the Federal Aviation Administration (FAA) has determined that certain funds generated by the Airport property were used for inappropriate purposes.

In response to the findings described above, the Town has entered into a repayment agreement with the FAA. The agreement, which was accepted by the FAA on November 11, 1987 requires the general fund to repay a total of \$350,899 to the Municipal Airport Enterprise Fund. Under the terms of the repayment agreement, the general fund is required to execute \$2,000 installments on an annual basis. In addition, the general fund will receive credit for the following in-kind services provided on behalf of the Airport.

- Twenty-four percent (24%) of the Town Clerk's salary.
- An annual allowance of \$600 for the Town Clerk's office expense.
- Twenty-six percent (26%) of the Police Chief's salary.
- An annual allowance of \$900 for the Police Chief's vehicle expense.

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

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

Original Balance – November 11, 1987	\$ 350,899
In-kind payments for the year ended:	
December 31, 1995	9,274
December 31, 1996	9,924
December 31, 1997	10,416
December 31, 1998	10,548
Cash Payments for years 1995 - 1998	8,000
<u>Balance – December 31, 1998</u>	<u>\$ 302,737</u>

NOTE 12 - RESTRICTED RESOURCES

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

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

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

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

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

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

	Economic Development <u>Loan Fund</u>	Capital Outlay Fund	<u>Total</u>
<u>Capital Projects Funds</u>			
Restricted Cash	\$ 118,708	\$ 62,148	\$ 180,856
Liabilities Payable from Restricted			
Assets	---	61,870	61,870
<u>Fund Balance Reserved for Economic Development</u>	<u>\$ 118,708</u>	<u>\$ 278</u>	<u>\$ 118,986</u>

TOWN OF POLLOCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

	Utility Funds (Water & Sewer)	Municipal Airport	Total
<u>Enterprise Funds</u>			
Cash	\$ 34,470	\$ 35,044	\$ 69,514
Interfund Receivables	2,462	---	2,462
Advances to Other Funds	---	302,737	302,737
Total Restricted Assets	36,932	337,781	374,713
Liabilities Payable from Restricted Assets	---	---	---
Total Restricted Retained Earnings	\$ 36,932	\$ 337,781	\$ 374,713

NOTE 13 – CONTINGENCIES

The Town is currently engaged in litigation regarding the location of its boundaries. Since traffic citations have been issued in the disputed area, this matter may have financial consequences. If it is determined that citations were issued outside of the Town's jurisdiction, the Town may be exposed to monetary losses; however, the amount of any potential loss cannot presently be determined.

The State of Louisiana Department of Transportation and Development has asserted that the Town has outstanding debt of \$35,297 for relocation of utilities that occurred in conjunction with a highway project. Since this work occurred more than ten years ago, management has been unable to ascertain whether this is a valid obligation.

NOTE 14 – COMMITMENTS

The Town has entered into an agreement with the Bureau of Prisons to provide water and sewer service for the Bureau's facilities. A portion of the infrastructure necessary for providing these utility services will be provided by the capital outlay project described in Note 7. Financing for the remaining infrastructure will be provided by issuing revenue bonds and by collecting a tap fee from the bureau.

TOWN OF POLLOCK
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1998

TOWN OF POLLOCK, LOUISIANA
CAPITAL PROJECTS FUNDS
Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended December 31, 1998

	<u>ECONOMIC DEVELOPMENT LOAN FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>TOTAL</u>
<u>REVENUES:</u>			
Intergovernmental:			
State capital outlay	\$ -	\$ 1,750,636	\$ 1,750,636
Use of money and property	16,272	-	16,272
Other	1,150	-	1,150
	<hr/>	<hr/>	<hr/>
Total revenues	17,422	1,750,636	1,768,058
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES:</u>			
General government	300	-	300
Public works	15,928	1,751,951	1,767,879
	<hr/>	<hr/>	<hr/>
Total expenditures	16,228	1,751,951	1,768,179
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	1,194	(1,315)	(121)
	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,194	(1,315)	(121)
	<hr/>	<hr/>	<hr/>
Fund balance (deficit) - beginning of year	117,515	1,592	119,107
	<hr/>	<hr/>	<hr/>
Fund balance (deficit) - end of year	\$ 118,709	\$ 277	\$ 118,986
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

TOWN OF POLLOCK, LOUISIANA
PROPRIETARY FUNDS
Combining Schedule of Revenues and Expenses
For the Year Ended December 31, 1998

	WATERWORKS ENTERPRISE FUND	SEWER SYSTEM ENTERPRISE FUND	MUNICIPAL AIRPORT ENTERPRISE FUND	TOTAL
<u>OPERATING REVENUES:</u>				
Water sales	\$ 76,678	\$ -	\$ -	\$ 76,678
Sewer services	-	37,449	-	37,449
Other	<u>2,446</u>	<u>1,760</u>	<u>5,282</u>	<u>9,488</u>
Total operating revenues	<u>79,124</u>	<u>39,209</u>	<u>5,282</u>	<u>123,615</u>
 <u>OPERATING EXPENSES:</u>				
Depreciation	25,544	44,482	4,210	74,236
Insurance	1,687	-	-	1,687
Legal and professional	2,171	141	-	2,312
Miscellaneous	7,110	3,251	1,922	12,283
Office expense	662	-	-	662
Payroll taxes and benefits	2,326	2,326	-	4,652
Repairs and maintenance	26,352	5,350	-	31,702
Salaries and wages	16,086	16,086	-	32,172
Utilities and telephone	<u>5,706</u>	<u>3,424</u>	<u>-</u>	<u>9,130</u>
Total operating expenses	<u>87,644</u>	<u>75,060</u>	<u>6,132</u>	<u>168,836</u>
Operating income (loss)	(8,520)	(35,851)	(850)	(45,221)
 <u>NONOPERATING REVENUES (EXPENSES):</u>				
Ad valorem taxes	4,734	-	-	4,734
Interest expense	(19,297)	(9,137)	-	(28,434)
Other	<u>1,218</u>	<u>-</u>	<u>1,443</u>	<u>2,661</u>
Net income (loss) before operating transfers	(21,865)	(44,988)	593	(66,260)
Operating transfers in (out)	<u>2,920</u>	<u>8,163</u>	<u>(10,763)</u>	<u>320</u>
Net Income (loss)	<u>\$ (18,945)</u>	<u>\$ (36,825)</u>	<u>\$ (10,170)</u>	<u>\$ (65,940)</u>

TOWN OF POLLOCK, LOUISIANA
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

For the year ended December 31, 1998

Eugene Mayeaux, Mayor	\$ 6,000
Chuck Butterfield, Alderman	625
Connie Holden, Alderman	575
M. P. Johnson, Alderman	675
Merek Marcantel, Alderman	625
Sharon Zeh, Alderman	<u>675</u>
Total Compensation	<u><u>\$ 9,175</u></u>

TOWN OF POLLOCK
SCHEDULE OF PRIOR YEAR FINDINGS

SECTION I – INTERNAL CONTROLS AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
There were no prior year findings in this area.	Not applicable.
SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
There were no prior year findings in this area.	Not applicable.
SECTION III – MANAGEMENT LETTER	
There was no management letter issued with the previous audit.	Not applicable.

TOWN OF POLLOCK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 1998

We were engaged to audit the financial statements of the Town of Pollock as of and for the year ended December 31, 1998, and have issued our report thereon dated February 9, 1999. 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. Our report expressed a qualified opinion on the Town's financial statements for the year ended December 31, 1998.

Section I – Summary of Auditors' Results:

a. The report on internal control and compliance material to the financial statements reported the following items:

- Internal Control – No reportable conditions that are considered to be material weaknesses.
- Compliance – The results of the audit disclosed instances of noncompliance that are considered to be material to the general purpose financial statements of the Town of Pollock.

b. Federal Awards:

- Not applicable, Federal awards received during the year ended December 31, 1998 were not sufficient in amount to require a Single Audit.

c. Identification of Major Programs:

- Not applicable.

Section II – Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

98-1, Budgeting:

State law requires the general fund to have a budget. In addition, expenditures that exceed the budgeted amount by more than five percent are prohibited. For the year ended December 31, 1998, general fund expenditures exceeded the budget by an amount that exceeds the margin allowed by state law. In the future, the Town should carefully monitor expenditures and amend the budget as necessary.

Section III – Findings and Questioned Costs for Federal Awards Which Shall Include Audit Findings as Defined by OMB Circular A-133:

- None.

TOWN OF POLLOCK

MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 1998

SECTION I - INTERNAL CONTROLS AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Finding: Budget variances reported by the General Fund exceeded amounts allowed by State law.

Response: Management will closely monitor spending and prepare budget amendments as may be necessary.

SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Finding: There are no current year findings in this area.

Response: Not applicable.

SECTION III - MANAGEMENT LETTER

Finding: There is no management letter issued with this report.

Response: Not applicable.