

Town of Oak Grove, Louisiana

November 15, 1997

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are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. It will take some time and effort for management to develop a manual; however, I believe this time will be more than offset by their involvement in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

SIGNATURE STAMPS

Signature stamps should be kept in a locked box or cabinet accessible only to those with proper authorization. Presently, these stamps are being stored in unsecured locations.

Thank you for the opportunity of working with the Town of Oak Grove, Louisiana. I appreciate the assistance extended to me by Mrs. Sandra Miller, Ms. Charlotte Woodard and the accounting staff of the Town of Oak Grove, Louisiana.

Sincerely,



DAVID S. YLMER

CERTIFIED PUBLIC ACCOUNTANT

DARLA S. TURNER, CPA
A Professional Accounting Corporation
1700 Lamy Lane
Monroe, Louisiana 71201
(514) 323-8891

To the Mayor and Council Members
Town of Oak Grove
Oak Grove, Louisiana

In planning and performing my audit of the financial statements of the Town of Oak Grove, Louisiana for the year ended June 30, 1991, I considered the Town's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. My comments and suggestions regarding these matters are contained in the following paragraphs. This letter does not affect my report dated November 13, 1991, on the financial statements of the Town of Oak Grove, Louisiana.

Purchase Order System

Transactions in the accounting reports should be properly authorized and evidenced by supporting documentation containing the appropriate approving official's signature. Although the Town has implemented a purchase order and requisition system, in some instances it does not utilize the system properly. At times, purchase order numbers are not given to vendors and, therefore, do not appear on vendor invoices, making it difficult to determine whether orders were properly approved. Sometimes, the Town does not attach its purchase order and requisition to the invoice package. Accordingly, there is no evidence that vendor invoices have been compared to purchase orders for quantities, prices and approval.

Vendor Invoices

Frequently, vendor invoices do not include evidence that the invoice was approved for payment by an authorized individual or that they have been clerically checked for mathematical accuracy.

Personnel Files

In order to achieve proper personnel control, updated W-4's and I-9's should be placed into the individual employee's file. Additionally, the Town should have a completed Form I-9 in each individual employee's file.

Accounting Manual

I noted that the Town does not have an accounting procedure manual. There may be an assumption that because the Town's accounting system is relatively simple and accounting personnel have direct and easy access to management when questions arise, there is no need for a manual. However, written procedures, instructions, and assignment of duties will prevent or reduce misunderstandings, omissions, inefficiencies, duplication or conflicting procedures and other situations that can result in inaccurate or unfairly accounting records. A well-derived accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper and that costs are

TOWN OF OAK GROVE, LOUISIANA

SCHEDULE H OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 1997**CURRENT YEAR FINDINGS:**

Criteria:	Municipal wastewater treatment systems are required to comply with the Louisiana Environmental Quality Act, La. R.S. 30:281 et seq., pertaining to the discharging of certain quantities and/or qualities of wastewater under the terms and conditions of Louisiana Water Discharge Permit Systems.
Finding:	Upon inspection by the State of Louisiana, Department of Environmental Quality, December 20, 1996, the Town was notified on January 08, 1997 of discrepancies in the treatment and testing of wastewater in its system. On April 8, 1998, a Compliance Order was issued from the State of Louisiana, Department of Environmental Quality stating these discharges are in violation of the terms and conditions of LWDPS permit WPD009, in addition to violate Louisiana Revised Statutes. The required LWDPS permit from the State of Louisiana expired March 21, 1998. The engineer for the Town submitted a letter to Department of Environmental Quality Water Quality Management Division outlining a corrective plan and a timetable for completion. On June 9, 1995, the United States Environmental Protection Agency, after consultation with the State of Louisiana, issued a permit to discharge, effective until midnight June 30, 2000.
Cause of Condition:	Per April 07, 1995 correspondence to State of Louisiana, from Evenson Engineering Co., Inc., condition was caused by limitations of the treatment capability of a single - cell oxidation pond facility and the volume of flow of the wastewater entering this facility, probably due to excessive infiltration, this single - cell pond will not afford the degree of treatment required by their wastewater permit no. WPD009.
Recommendation:	I recommended to the Town that they continue to take steps to comply with the laws and regulations pertaining to wastewater discharge set forth by the Louisiana Department of Environmental Quality.
Response:	A contractor began work on a new water treatment facility for the Town subsequent to June 30, 1997. The Town obtained a \$1,245,000 loan from Hibernia bank guaranteed by USDA, Rural Economic Community Development as interim financing for this construction. When project is complete, bonds will be sold to pay off the interim financing. Then, the Town will receive a grant in the amount of \$1,280,000 from USDA to complete the project. The Town of Oak Grove will be installing a new water well, new water line and a new water treatment facility.

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. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

However, I note certain matters involving the internal control structure and its operation that I have reported to the management of the Town of Oak Grove, Louisiana, in a separate letter dated November 15, 1987.

This report is intended for the information of the Town of Oak Grove's management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



DARLA S. TURNER
CERTIFIED PUBLIC ACCOUNTANT

November 15, 1987

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Metairie, Louisiana 71221
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Subj: date 3

**Independent Auditor's Report On Internal Control Structure Related
On An Audit Of General Purpose Financial Statements Performed
In Accordance With Government Auditing Standards**

To the Mayor and Council Members
Town of Oak Grove
Oak Grove, Louisiana

I have audited the general purpose financial statements of the Town of Oak Grove, Louisiana, as of and for the year ended June 30, 1997, and have issued my report thereon dated November 15, 1997.

I conduct my 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 I 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 Oak Grove 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 objective of an internal control structure is to provide management with reasonable, but not a holistic, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorizations 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 control structure, structure or implementation 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 my audit of the general purpose financial statements of the Town of Oak Grove, Louisiana, for the year ended June 30, 1997, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion of the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My 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

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Schedule 4

**Independent Auditor's Report On Compliance
Based On An Audit of General Purpose Financial Statements
Performed In Accordance With Government Auditing Standards**

To the Mayor and Council Members
Town of Oak Grove
Oak Grove, Louisiana

I have audited the general purpose financial statements of the Town of Oak Grove, Louisiana, as of and for the year ended June 30, 1997, and have issued my report thereon dated November 15, 1997.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

The results of my tests disclosed the instance of noncompliance described in the Schedule of Findings and Questioned Costs, that are required to be reported herein under "Government Auditing Standards." No provision for any liability that may result has been recognized in the Town of Oak Grove, Louisiana's 1997 financial statements.

This report is intended for the informational use of the Town of Oak Grove's management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.


DARLA S. TURNER
CERTIFIED PUBLIC ACCOUNTANT

November 15, 1997

**Schedule of Compensation Paid Mayor and Board Members
For the Year Ended June 30, 1997**

BOARD MEMBER	AMOUNT
James H. Dumas, Mayor	58,000
Lorelle Brown	1,800
Albert Masi	1,200
Robert Ruffin	1,200
Christophe Matthews	1,200
Mike Reeves	-
Total	\$14,400

Discretionary Fund	Economic Development	LHFA Home Programs	Community Center	Total (Memorandum) Only
\$13,409	--	--	--	\$13,409
1,440	8,809	--	244	10,493
--	--	--	--	0
--	--	13,260	--	13,260
--	18,268	--	--	18,268
32,119	--	--	--	32,119
65,568	28,112	13,260	244	107,184
--	--	--	--	0
15,571	--	--	--	15,571
--	--	--	--	0
31,878	--	--	--	31,878
--	--	13,260	--	13,260
--	--	--	--	0
47,848	0	13,260	0	61,108
41,120	28,112	0	244	69,476
--	--	--	--	0
--	(30,000)	--	--	(30,000)
41,120	(30,000)	--	0	11,120
41,120	(21,888)	0	244	19,476
--	--	--	--	0
41,120	(21,888)	0	244	19,476
45,708	108,182	--	13,827	167,717
--	--	--	--	0
480,878	548,274	90	111,051	1,140,293

TOWN OF OAK GROVE, LOUISIANA

Special Revenue Funds
 Combining Schedule of Revenues, Expenditures, and
 Changes in Fund Balances
 For The Year Ended June 30, 1997

	Sales Tax Fund	Fire Fund	Street Fund
REVENUES			
Taxes	5092,298	--	5,092,298
Use of money and property	24,271	285	2,425
Fees, charges and commissions	--	--	--
Intergovernmental restricted grant	--	--	--
Earned portion of capital lease	--	--	--
Date of grants	--	--	--
Total Revenues	4118,477	315	40,948
EXPENDITURES			
General government	185,155	--	--
Public health and safety	--	387	--
Public works	54,878	--	12,848
Capital outlay	5,268	127,408	--
Economic development and assistance	--	--	--
Home improvement	--	--	--
Total Expenditures	245,291	127,795	12,848
Excess (Deficiency)			
Over/Under Expenditures	366,186	(127,480)	27,901
OTHER FINANCING SOURCES (USES)			
Operating transfers from other funds	5,212	107,217	--
Operating transfers to other funds	(63,814)	--	--
Net Other Financing Sources (Uses)	(28,602)	107,217	--
Net Increase (Decrease) Before			
Extraordinary Items	82,442	(20,488)	27,901
EXTRAORDINARY ITEMS			
Cumulative effect on prior year restating from change in accounting principle	50,521	--	--
Net Increase (Decrease)	114,265	(20,488)	27,901
Fund Balances, Beginning	453,521	28,881	16,085
Add: Prior Period Adjustment	12,210	--	--
Fund Balances, Ending	567,786	8,393	43,986

County Fund	Business Development	LHFA Home Program	Community Center	Total (Memorandum Only)
187,000	808,074	--	11,001	\$996,075
--	--	--	--	11,000
20	--	--	--	10,981
--	77,400	--	--	77,400
187,040	\$885,474	\$0	11,001	\$997,515
1807	--	--	--	\$0,708
--	--	--	--	0
--	--	--	--	20
--	77,400	--	--	77,400
--	--	--	--	\$3,782
1807	77,400	--	0	159,330
98,070	80,219	--	11,001	998,290
950,040	\$182,819	\$0	\$11,001	\$997,000

TOWN OF OAK GROVE, LOUISIANA

Special Revenue Funds
 Combining Balance Sheets
 June 30, 1997

	Sales Tax Fund	Fire Fund	Street Fund
ASSETS AND OTHER DEBITS			
Cash	\$601,200	\$0,100	0-0-000
Accounts receivable	04,000	-	-
Due from other funds	10,000	-	-
Capital lease receivable	-	-	-
TOTAL ASSETS	\$615,200	\$0,100	0-0-000
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
LIABILITIES			
Accounts payable	\$0,000	-	0-0-000
Accrued expenses	-	-	-
Due to other funds	-	20	-
Deferred revenues - capital lease	-	-	-
Refundable sales tax	48,100	-	-
Total Liabilities	48,100	20	0-0-000
FUND EQUITY AND OTHER CREDITS			
Fund balances:			
Unreserved and undesignated	567,100	0,100	0-0-000
TOTAL LIABILITIES AND FUND EQUITY	\$615,200	\$0,100	0-0-000

Supplementary Information Schedules

NOTES TO THE FINANCIAL STATEMENTSJune 30, 1997

NOTE 14 - CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

During 1996-97, the Town changed its method of accounting for sales taxes. In prior years, no receivable for sales taxes was recognized in the financial statements. A change in the guidance for taxpayer assessed taxes, such as sales taxes, requires the application of the measurable and available criteria to those taxes.

The effect of this change was to increase income for the year by \$20,000 in the sales tax fund. The financial statements for 1995-96 have not been restated and the cumulative effect of the change is shown as a one-time result to income in the statement of changes in the schedule of revenues, expenditures and changes in fund balances.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

The prior period adjustment reflected in the sales tax fund was required to record a checking account created in a prior period within that fund.

NOTES TO THE FINANCIAL STATEMENTS**June 30, 1997****NOTE 11 – PENSION COST (Cont'd.)**

employer contributions and participant member contributions cease. For the year ending June 30, 1997, there were no plan members who elected to enter the OPPO program. The Town of Oak Grove's contributions for that period were 3.0% for a total of \$14,548.

Municipal Police Retirement System**Plan Description:**

Members of the police department of the Town of Oak Grove participate in a cost-sharing multiple-employer plan administered by the Municipal Police Employees' Retirement System.

The Municipal Police Employees' Retirement System provides retirement benefits for municipal police officers. Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing they do not have to pay social security and providing they meet the statutory criteria.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211 – 11:2233. The Municipal Police Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Municipal Police Employees' Retirement System. That report may be obtained by writing to Dupontier, Hayman, Hagan & Maher, L.L.P., Certified Public Accountants, 821 Gravier St., Suite 1300, New Orleans, LA 70112, or by calling 504-586-8866.

Funding Policy

Plan members are required to contribute 7.5% of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The current rate for the Town of Oak Grove is 9% of the annual covered payroll. The contribution requirements of plan members and the Town of Oak Grove are established and may be amended by the Municipal Police Employees' Retirement System's Board of Trustees. The Town's contributions to the retirement system for the years ending June 30, 1996, 1995 and 1994 were \$6,065, \$13,034 and \$15,402, respectively, equal to the required contributions for each year.

NOTE 12 – SUBSEQUENT EVENTS

A contractor has begun work on a new water treatment facility for the Town. The Town obtained a \$1,040,000 loan from a local bank to begin construction of a new water treatment facility. When project is complete, bonds will be sold to pay off the interim financing, which will result in an increase in long-term debt.

NOTE 13 – USE OF ESTIMATES

The process of preparing financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1997

NOTE 10 - DIRECT FINANCING LEASE

The following lists the components of the net investment in this direct financing lease at June 30, 1997:

Total minimum lease payments to be received	1997 \$77,400
Less: Unearned income	9,849
Net investment in direct financing leases	\$69,551

Minimum lease payments for each of the remaining fiscal years are as follows:

Year	Amount
1998	25,800
1999	25,800
2000	25,800
	\$77,400

NOTE 11 - PENSION COST

Municipal Employees' Retirement System

Plan Description

Substantially all full-time employees (except police and firemen) of the Town of Oak Grove are covered under the Municipal Employees' Retirement System of Louisiana (Plan B), a cost sharing multiple-employer public employees retirement system (PERS), controlled and administered by a separate board of trustees. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for Municipal Employees' Retirement System. That report may be obtained by writing to Duplantier, Higginson, Hogan & Mahé, L.L.P., Certified Public Accountants, 821 Gravier St., Suite 1000, New Orleans, LA 70112, or by calling 1-504-588-8868.

Funding Policy

Plan members are required to contribute 6% of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The current rate for the Town of Oak Grove is 0.25% of the annual covered payroll. The contribution requirement of plan members and the Town of Oak Grove are established and may be amended by the Municipal Employees' Retirement System Board of Trustees. The Town's contributions to the Municipal Employees' Retirement System for the years ending June 30, 1995, 1996 and 1997 were \$25,879, \$25,848 and \$21,453, respectively, equal to the required contributions for each year.

Plan members who have been an active contributing member for one full year after becoming eligible to retire may elect to enter the Deferred Retirement Option Program (DRO), for up to three years and defer the receipt of benefits. Upon commencement of participation in the plan, membership in the System terminates. During participation in the plan

(Continued)

NOTICE TO THE FINANCIAL STATEMENTS

June 30, 1997

NOTE 5 – GENERAL LONG TERM OBLIGATIONS (Cont'd)

\$180,000 is available in the Debt Service Fund to service the general obligation bonds.

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

Interest expense for the period totaled \$28,128. All interest was expensed and none was capitalized.

NOTE 6 – CHANGES IN FIDUCIARY FUND TYPE

A summary of changes in fiduciary fund type is as follows:

	Balance 7/1/96	Additions	Deletions	Balance 6/30/97
Cash	\$9,897	\$452,142	\$442,245	\$19,794

NOTE 7 – INTERFUND TRANSACTION

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary type funds financial statements generally reflect such transactions as transfers.

NOTE 8 – INTERGOVERNMENTAL REVENUES

The Town received \$52,900 and \$25,080 from the State of Louisiana under the provision of restricted grants - in - aid. The grants were received for the economic development of the Town.

NOTE 9 – ENCUMBRANCES

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriations, is not employed. However, outstanding purchase orders are taken into consideration before expenditures are incurred in order to assure that applicable appropriations are not exceeded.

NOTE 10 – DIRECT FINANCING LEASE

The Town is a lessee in a lease agreement which transferred substantially all of the risks and benefits of ownership from the Town to the lessee.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 1997
NOTE 6 - GENERAL LONG TERM OBLIGATIONS (Cont'd)

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

General Obligation Bonds:

\$480,000 Public Improvement Bonds, Series B-1 dated March 1, 1978, due in annual installments of \$20,000 to \$80,000 through March 1, 1990; interest at various rates between 5.5% and 8.75%, issued secured by a pledge from the Town of Oak Grove.

\$480,000

Revenue Bonds:

\$1,075,000 Water and Sewer Revenue Bonds dated July 1, 1963, due in various annual installments from \$15,000 to \$250,000 at 5.5% to 8.0%.

475,000

Total \$955,000

The annual requirements to amortize all debt outstanding as of June 30, 1997, including interest payments of \$92,680, are as follows:

Annual Requirements to Amortize Long - Term Debt
June 30, 1997

Year ending June 30,	General Obligation	Revenue	Total
1998	\$80,480	\$80,800	\$161,280
1999	--	80,340	80,340
2000	--	80,880	80,880
2001	--	80,700	80,700
2002	--	80,880	80,880
2003	--	180,570	180,570
Total	<u>\$80,480</u>	<u>\$474,800</u>	<u>\$555,280</u>

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1997

NOTE 3 - CASH AND CASH EQUIVALENTS (Cont'd)

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting fund balances, must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These securities are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 1997, are secured as follows:

Bank Balances	<u>\$1,024,820</u>
Federal Deposit Insurance	\$400,000
Pledged Securities	<u>1,855,091</u>
Total	<u>\$3,279,911</u>

NOTE 4 - FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance	Additions	Retired	Balance
	7/1/96		Dispositions	6/30/97
Land	\$184,840	\$28,849	--	\$214,689
Building	127,828	--	--	127,828
Equipment	480,200	130,090	(1,274)	609,016
	<u>\$792,868</u>	<u>\$158,939</u>	<u>(\$1,274)</u>	<u>\$950,533</u>

A summary of proprietary land type property, land and equipment at June 30, 1997:

Land	\$10,756
Water/purifier treatment system	1,954,454
Vehicles and equipment	88,000
Furniture and equipment	37,136
Total	<u>2,090,346</u>
Less accumulated depreciation	<u>(944,000)</u>
Net	<u>\$1,146,346</u>

NOTE 5 - GENERAL LONG TERM OBLIGATIONS

The following is a summary of bond transactions for the Town for the year ended June 30, 1997.

	General Obligation	Revenue	Total
Bonds payable at July 1, 1996	\$155,000	\$527,300	\$682,300
New bonds issued	0	0	0
Bonds retired	70,000	82,000	(152,000)
Bonds payable at June 30, 1997	<u>\$85,000</u>	<u>\$445,300</u>	<u>\$530,300</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Revenues

Revenues represent those portions of fund equity not appropriate for expenditures or legally segregated for a specific future use.

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

M. 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.

NOTE 2 - EXPENDITURES - ACTUAL AND BUDGET

The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 1997:

Fund	Budget	Actual	(Unfavorable) Variance
General Fund	\$902,007	\$904,733	(\$2,726)*

* Unfavorable variance due to failing to match timing of budgeting revenues with budgeting of expenditures.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks, having principal offices in Louisiana.

At June 30, 1997, the Town had cash totaling \$1,674,621, as follows:

Demand Deposits	\$240,879
Certificates of Deposits and Time Deposits	935,806
Restricted Assets (Cash)	<u>497,936</u>
Total	<u>\$1,674,621</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1997

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Under state law, the Town of Oak Grove may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

H. Fixed Assets

Fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related costs are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. All fixed assets are valued at historical cost.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the funds net of accumulated depreciation. Depreciation of all substantial fixed assets used by proprietary fund operations is charged as an expense against operations. No depreciation has been provided for general fixed assets. Depreciation is computed using the straight-line method and the following useful lives:

Plant/Sewer Collection Systems	50 years
Machinery and Equipment	5 - 10 years

I. Long-Term Obligations

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

J. Compensated Absences

Town employees are entitled to three days of compensated absences. However, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid.

K. Restricted Assets

These assets consist of cash and cash equivalents restricted for both water works and sewer systems, debt service and general funds.

L. Fund Equity**Contributed Capital**

Contributed capital is recorded in the Enterprise Fund for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on the portion of the assets acquired or constructed from such resources.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1997

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

D. Deferred Revenues

The Town of Oak Grove reports deferred revenues on its combined balance sheet. Deferred revenues arise when revenues are received by the Town of Oak Grove before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Town of Oak Grove has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

E. Budgets

The Town of Oak Grove (Mayor and Council) uses the following budget practices:

- (1) Prior to June 30, the Town Clerk submits to the Mayor and Council Members a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department/ subfunction level.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) During the month of July the budget is legally enacted through passage of an ordinance.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Debt Service Fund.
- (5) Budgets for the General, Debt Service, and Special Revenue Funds are adopted on the GARP basis.
- (6) Appropriations lapse at the end of each fiscal year.
- (7) The Mayor and Council Members may authorize supplemental appropriations during the year. Supplemental appropriations were made during the fiscal year.

F. Encumbrances

Encumbrance accounting is not used.

G. Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Fiduciary Funds

Agency Funds - account for assets held by the Town of Oak Grove on behalf of others as its agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Modified accrual statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds, expendable trust funds, and agency funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Town in September or October and are actually billed on October 1, and are mailed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from all various taxes are budgeted in the year billed. The Town bills and collects its own property taxes using the assessed value determined by the tax assessor of West Carroll Parish. The year ended June 30, 1997, taxes of 14.58 mills were levied on property with assessed valuations totaling \$7,248,810, and were distributed as follows:

General corporate purposes	7.04 mills
Street Maintenance	5.19 mills
Conerary	2.07 mills

Property tax revenues are recognized when they become available. Available includes those property tax receivables elected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

Fines, local telephone, and fees are recognized when collected by the Town. Interest income is recorded when it is credited to accounts by the Bank.

Expenditures

Salaries are recorded as expenditures when earned by employees.

Purchases of various operating supplies, etc. are recorded as expenditures when the related fund liability is incurred.

Principal and interest on general long-term debt and installment purchase payments are recognized when due.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1997

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

D. Fund Accounting

The Town of Oak Grove uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources.

Funds of the Town of Oak Grove are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds account for all or most of the Town of Oak Grove's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. Governmental funds include:

General Fund – the general operating fund of the Town of Oak Grove and accounts for all financial resources, except those required to be accounted for in other funds.

Special Revenue Funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – account for transactions relating to resources retained and used for the payment of principal and interest on these long-term obligations recorded in the general long-term obligations account group.

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include enterprise funds and internal service funds. Proprietary funds include:

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1997

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Oak Grove, Louisiana, was incorporated January 4, 1968, under the provisions of The Home Rule Charter as provided by State Law Reference L.R.S. 33:1281 – 1290. A copy of the ratified charter is recorded in Charter Book "1" at page 401, of the records of West Carroll Parish, Louisiana. The Mayor is the executive officer of the Town, while the Council members are the governing authority of the Town for the purposes of legislation and policy making.

The accounting and reporting policies of the municipality conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:512, to the guidelines set forth in the Louisiana Governmental Audit Guide, and to generally accepted audits of State and Local Governmental Units.

A. Basis of Presentation

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

B. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Oak Grove, Louisiana is considered a separate financial entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government could cause the 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 Oak Grove, Louisiana for the financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria include:

1. Appointing a voting majority of an organization's governing body.
 - A. The ability of the municipality 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 municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
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.

**Statement of Cash Flows – Proprietary Fund Types
Increase (Decrease) in Cash and Cash Equivalents
For The Year Ended June 30, 1997**

Cash Flows From Operating Activities:	
Net income	\$12,779
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	56,000
Changes in assets and liabilities:	
Increase in accounts receivable	(2,200)
Increase in inventory	(2,700)
Increase in accounts payable	3,000
Decrease in interest payable	(1,800)
Increase in due to-customers	1,100
	Total Adjustments _____ 53,007
	Net Cash Provided by Operating Activities 66,786
Cash Flows From Capital and Related Financing Activities:	
Increase in current portion of long-term debt	4,000
Principal payments on long-term debt	(28,000)
	Cash Flows From Financing Activities _____ (24,000)
Cash Flows From Investing Activities:	
Acquisition and construction of capital assets	(4,000)
	Total Cash Flows From Investing Activities _____ (4,000)
	Net Decrease in Cash And Cash Equivalents 38,786
	Cash and Cash Equivalents At Beginning of Year _____ 448,000
	Cash and Cash Equivalents At End of Year _____ 409,214

**Statement of Revenues, Expenses and Changes in
Retained Earnings – Proprietary Fund Types
For The Year Ended June 30, 1997**

REVENUES

Charges for services	\$262,667
Other income	4,385
Total Operating Revenues	267,052

OPERATING EXPENSES

Personal services	128,886
Materials, supplies and repairs	62,514
Other operating expenses	28,285
Depreciation	58,059
Total Operating Expenses	277,744

Operating Income 29,308

NONOPERATING REVENUES (EXPENSES)

Interest revenue	(4,440)
Interest expense	(31,048)
Total Nonoperating Revenues and Expenses	(35,488)

NET INCOME 13,820

Retained Earnings at Beginning of Year 1,265,711

Retained Earnings at End of Year **\$1,309,530**

TOWN OF OAK GROVE, LOUISIANA

**Governmental Funds
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances — Budget (GAAP Basis) and Actual
For the Year Ended June 30, 1997**

	General Fund		Variance
	Budget	Actual	
REVENUES			
Local sources:			
Taxes:			
Ad valorem	\$54,360	\$54,349	(510)
Sales and use	—	—	—
Other	13,800	11,808	(948)
Licenses and permits	60,500	60,730	19,230
State sources:			
Restricted grants — in — aid	31,600	107,665	76,065
Fees, charges and commissions	65,200	67,280	2,080
Fines and forfeitures	15,000	17,570	1,570
Earned portion — capital lease	—	—	0
Use of money and property	8,000	8,620	580
Gift of monetary aids	—	—	0
Other	9,700	4,648	(5,052)
Total Revenue	277,360	386,101	87,741
EXPENDITURES			
General Governmental	128,600	129,066	466
Public safety	122,100	120,784	1,316
Public works	580	580	—
Health and welfare	—	—	0
Economic development and assistance	—	62,980	62,980
Home improvement	—	—	0
Capital outlay	907	907	0
Debt service:			
Principal retirement	—	—	0
Interest and fiscal fees	—	—	0
Total Expenditures	380,307	334,756	(45,551)
Excess (Deficiency) Of Revenues Over Expenditures	(82,947)	31,345	51,698
OTHER FINANCING SOURCES (USES)			
Operating transfers in	—	—	0
Operating transfers (out)	(57,217)	(57,217)	0
Total Other Financing Sources (Uses)	(57,217)	(57,217)	0
Net Increase (Decrease) Before Extraordinary Items	(82,144)	(25,912)	56,232
EXTRAORDINARY ITEMS			
Cumulative effect on prior year resulting from change in accounting principle	—	—	0
Net Increase (Decrease)	(82,144)	(25,912)	56,232
Fund Balances, Beginning and Prior Period Adjustment		192,455	
Fund Balances, Ending		166,543	

See independent auditor's report and accompanying notes.

**Governmental Funds
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances
For the Year Ended June 30, 1997**

	GOVERNMENTAL FUNDS			Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	
REVENUES				
Local sources:				
Taxes:				
Ad valorem	554,940	810,021	--	1,364,961
Sales and use	--	800,000	--	800,000
Other	11,800	72,119	--	83,919
Licenses and permits	80,738	--	--	80,738
State sources:				
Restricted grants--in-aid	107,000	10,200	--	117,200
Fees, charges and contributions	87,200	--	--	87,200
Fines and forfeitures	17,570	--	--	17,570
Shared portion capital costs	--	10,200	--	10,200
Use of money and property	4,000	27,419	7,721	39,140
Other revenues	4,040	--	--	4,040
Total Revenues	908,188	947,949	7,721	1,863,858
EXPENDITURES				
General government	180,000	105,100	--	285,100
Public safety	120,700	18,400	--	139,100
Public works	300	67,600	--	67,900
Capital outlay	800	164,700	--	165,500
Economic development and assistance	50,000	--	--	50,000
Home improvement	--	13,200	--	13,200
Debt service:				
Principal retirement	--	--	75,000	75,000
Interest and fiscal charges	--	--	215	215
Total Expenditures	352,100	457,000	75,215	884,315
Excess (Deficiency) Of Revenues Over Expenditures	556,088	490,949	(67,494)	979,543
OTHER FINANCING SOURCES (USES)				
Operating transfers in	--	110,400	70,000	180,400
Operating transfers out	(87,217)	(200,000)	--	(287,217)
Total Other Financing Sources (Uses)	(87,217)	10,400	70,000	(6,817)
Net Increase (Decrease) Before Extraordinary Item	(31,129)	501,349	11,108	581,328
EXTRAORDINARY ITEM				
Corrective effect on prior year resulting from change in accounting principle (Note 14)	--	33,800	--	33,800
Net Increase (Decrease)	(31,129)	535,149	11,108	615,128
Fund Balances, Beginning	100,450	710,462	158,000	1,068,912
Add Prior Period Adjustment	--	12,810	--	12,810
Fund Balances, Ending	\$169,321	\$858,421	\$169,108	\$1,206,850

See independent auditor's report and accompanying notes

PROPRIETARY FUND TYPE	PROPRIETARY FUND TYPE	ACCOUNT GROUPS		Totals (Memorandum Only)
		Trust and Agency Fund	General Fund Assets	
\$140,411	\$10,720	--	--	\$1,170,180
--	--	--	--	0
27,218	--	--	--	78,484
--	--	--	--	18,881
10,801	--	--	--	18,881
268,708	--	--	--	487,754
--	--	--	--	77,480
1,186,177	--	\$18,228	--	2,048,420
57,880	--	--	--	57,880
--	--	--	--	0
--	--	--	80,800	80,800
<u>\$1,000,864</u>	<u>\$18,720</u>	<u>\$18,228</u>	<u>80,800</u>	<u>\$2,008,657</u>
57,261	--	--	--	\$18,800
--	--	--	--	43,150
58,800	--	--	--	58,800
15,518	10,720	--	--	55,540
30,887	--	--	--	30,887
--	--	--	--	18,881
--	--	--	--	78,000
--	--	--	--	1,368
--	--	--	80,800	80,800
418,000	--	--	--	418,000
528,884	10,720	0	80,800	770,228
847,082	--	--	--	947,000
--	--	\$18,228	--	910,228
108,080	--	--	--	0
--	--	--	--	180,800
--	--	--	--	1,048,708
<u>1,106,480</u>	<u>0</u>	<u>\$18,228</u>	<u>0</u>	<u>\$2,008,418</u>
<u>\$1,000,864</u>	<u>\$10,720</u>	<u>\$18,228</u>	<u>\$80,800</u>	<u>\$2,008,657</u>

TOWN OF OAK GROVE, LOUISIANA

Combined Balance Sheet – All Fund Types and Account Groups
 June 30, 1997

	GOVERNMENTAL FUNDS		
	General Fund	Special Revenue Funds	Data Service Fund
ASSETS AND OTHER DEBITS			
ASSETS			
Cash and Cash Equivalents	\$74,264	\$808,041	\$56,040
Receivables – (net, where applicable, of allowance for uncollectibles)			
Ad Valorem taxes	--	--	--
Other	18,604	34,637	--
Due from other funds	--	15,051	--
Inventory	--	--	--
Restricted assets	\$1,264	--	\$6,000
Capital lease receivable	--	77,450	--
Property and equipment (net of accumulated depreciation)	--	--	--
OTHER DEBITS			
Motor deposits	--	--	--
Amount available in debt service fund	--	--	--
Amount to be provided for retirement of general long-term debt	--	--	--
TOTAL ASSETS AND OTHER DEBITS	\$173,932	\$907,529	\$68,040
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts payable	\$2,795	\$8,795	--
Refundable sales tax	--	43,152	--
Payable from restricted assets			
Revenue bond	--	--	--
Accrued interest and expenses	--	--	--
Customers' deposits	--	--	--
Due to other funds	--	20	15,051
Deferred revenues	1,600	77,450	--
Refundable deposits	1,269	--	--
General obligation bonds payable	--	--	--
Revenue bonds payable	--	--	--
Total Liabilities	5,764	129,392	15,051
FUND EQUITY AND OTHER CREDITS			
Contributed capital	--	--	--
Investment in general fixed assets	--	--	--
Retained earnings:			
Unreserved	--	--	--
Fund balances:			
Reserved for debt service	--	--	155,000
Unreserved – undesignated (deficit)	168,297	808,299	13,139
Total Equity and Other Credits	168,297	808,299	168,139
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$173,932	\$907,529	\$68,040

See independent auditor's report and accompanying notes.

DARLA S. TURNER, CPA
A Professional Accounting Corporation
1781 Lamy Lane
Monroe, Louisiana 70001
(504) 323-8891

Independent Auditor's Report

To the Mayor and Council Members
Town of Oak Grove
Oak Grove, Louisiana

I have audited the accompanying general purpose financial statements of the Town of Oak Grove, Louisiana, as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Oak Grove, Louisiana's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As disclosed in Note 14 to the financial statements, the Town of Oak Grove changed its method of accounting for sales tax.

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

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplementary information contained in Schedules 1 and 2 is presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Oak Grove, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated November 15, 1997, on my consideration of Town of Oak Grove's internal control structure and a report dated November 23, 1997, on its compliance with laws and regulations.



DARLA S. TURNER
CERTIFIED PUBLIC ACCOUNTANT

November 15, 1997

TOWN OF OAK GROVE, LOUISIANA

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June 30, 1997

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TOWN OF OAK GROVE, LOUISIANA

*General Purpose Financial Statements
and Independent Auditor's Report
As Of And For The Year Ended June 30, 1997
With Supplemental Information Schedule*

PARISH CLERK OF COURT

LSA-RS 24:516 provides that this report shall be available for public inspection for a period of not less than one year from the date of receipt.

Legislative Auditor

WHERE provisions of state law, this report is a public document. A copy of this report has been submitted to the Auditor, or released, orally 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 JAN 21 1998