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TOWN OF OIL CITY, LOUISIANA

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FINANCIAL STATEMENTS

December 31, 1967

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

Release Date MAY 27 1968



SMITH PUGH RABINOWITZ L.L.P. CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Todd A. Hopkins, Mayor
 and the Members of the Board of Aldermen of
 The Town of Old City, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Old City, Louisiana, as of December 31, 1997, and for the year then ended, as listed in the accompanying 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Old City, Louisiana, as of December 31, 1997, and the results of its operations 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 April 14, 1998 on our consideration of the Town of Old City, Louisiana's internal control structure and a report dated April 14, 1998 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Compensation paid the Mayor and the Board of Aldermen on page 12 is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Town of Old City, Louisiana. 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.

Smith Pugh Rabinowitz LLP
 Certified Public Accountants

April 14, 1998

TOWN OF OIL CITY, LOUISIANA

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TOWN OF OIL CITY, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups
December 31, 1987

	Governmental Fund Types		Account Group	Total (Miscellaneous Code)	
	General	Special Revenue		1987	1986
ASSETS					
Cash	\$ 104,912	\$ 116,275	\$	\$ 221,187	\$ 216,242
Investments, at cost	(161,644)	144,654		80,112	478,851
Receivables (net where applicable, of allowance for noncollectibles)	14,514	21,000		35,514	24,300
Due from other funds	14,490	18,090		32,580	9,415
Refundable deposits	408			408	418
Construction-in-progress		11,200		11,200	-
Fund assets - if any			3,149,208	3,149,208	3,087,598
Total assets	\$ 311,060	\$ 312,125	\$ 3,149,208	\$ 4,695,692	\$ 4,887,457
Accounts payable	\$ 9,422	\$ 21,805	\$	\$ 31,227	\$ 30,808
Due to other funds	1,511	9,503		11,014	9,015
Total liabilities	\$ 1,133	\$ 31,308		\$ 42,241	\$ 39,823
FUND EQUITY			3,146,708	3,146,708	3,067,609
Investment in general fund assets					
Fund balances (positive)				61,690	11,899
Reserve for debt service				826,751	773,112
Unreserved - undesignated	307,646	478,488		3,260,268	3,282,598
Total fund equity	307,646	478,488		3,347,119	3,967,609
Total liabilities and fund equity	\$ 311,060	\$ 312,125	\$ 3,146,708	\$ 4,695,692	\$ 4,887,457

TOWN OF OIL CITY, LOUISIANA

Combined Statement of Revenues, Expenditures, and Changes
in Fund Balance - All Governmental Fund Types
Year Ended December 31, 1997

	Governmental Fund Types			Totals	
	General	Special Revenue Funds	Debt Service	20 Years ending 1997	
				1997	1996
Revenues:					
Taxes	\$ 47,829	\$ 140,235	\$ -	\$ 188,064	\$ 181,879
Licenses and permits	58,669	-	-	58,669	63,384
Intergovernmental	9,451	-	-	9,451	13,148
Grant funds - library	-	30,450	-	30,450	-
Fees	65,116	-	-	65,116	78,666
Service charges	-	40,768	-	40,768	43,362
Interest	12,983	18,779	187	31,949	19,868
Miscellaneous	2,642	332	-	2,974	2,613
Total revenues	<u>186,714</u>	<u>209,808</u>	<u>187</u>	<u>442,312</u>	<u>311,677</u>
Expenditures:					
Current operating:					
Administrative	46,763	-	-	46,763	47,138
Law enforcement	89,261	-	-	89,261	87,038
Sanitation	21,584	74,366	-	95,950	82,487
Utilities	-	32,475	-	32,475	31,476
Travel expenses	-	58,234	-	58,234	30,680
Capital projects	-	33,298	-	33,298	34,266
Total expenditures	<u>157,528</u>	<u>198,363</u>	<u>-</u>	<u>341,891</u>	<u>283,035</u>
Excess (deficiency) of revenues over expenditures	45,184	60,441	187	183,424	118,642
Fund balance at beginning of year	<u>302,362</u>	<u>418,261</u>	<u>(1,889)</u>	<u>718,734</u>	<u>608,726</u>
Fund balance at end of year	<u>\$ 347,546</u>	<u>\$ 478,702</u>	<u>\$ (1,692)</u>	<u>\$ 804,656</u>	<u>\$ 718,368</u>

Special Revenue Funds			Totals (Miscellaneous Debt)		
Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
\$ 121,500	\$ 140,215	\$ 18,715	\$ 147,700	\$ 185,049	\$ 37,349
			40,885	26,089	(14,796)
			11,660	9,451	(2,209)
	20,430	9,470	63,080	26,458	(36,622)
33,800	46,768	12,968	33,000	46,768	13,768
4,980	18,735	13,755	14,250	31,230	16,980
180	352	172	2,320	2,872	552
167,180	228,608	61,428	224,330	417,312	192,982
			31,440	46,762	15,322
			31,700	89,261	57,561
71,348	74,265	2,917	81,288	89,778	8,490
30,800	31,473	673	31,880	32,475	595
	20,224	(11,656)	26,294	26,294	(0)
30,800	31,398	598	30,000	31,322	1,322
115,948	126,560	10,612	112,182	121,895	9,713
7,622	46,663	39,041	22,713	105,217	82,504
418,262	618,552	200,290	720,152	911,612	191,460
\$ 431,417	\$ 638,828	\$ 207,411	\$ 732,442	\$ 923,224	\$ 190,782

TOWN OF OIL CITY, LOUISIANA

Notes to Financial Statements
December 31, 1997

The Town of Oil City was incorporated in 1948 under the provisions of the Louisiana Act. The Town operates under the Mayor-Board of Aldermen form of government.

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Town of Oil City conform to generally accepted accounting principles as applicable to governments. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Such accounting and reporting procedures also conform to the requirements of Louisiana revised statute RS217 and to the guidelines set forth in the "Louisiana Municipal Audit and Accounting Guide."

The following is a summary of certain significant accounting policies:

- A. Reporting Entity** - This report includes all funds and account groups which are controlled by or dependent on the Town's Executive and Legislative Branches (the Mayor and Board of Aldermen). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.
- B. Fund Accounting** - The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following funds and group of accounts are used by the Town:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt including principal, interest, and related costs.

Capital Projects Fund - The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities.

General Fixed Assets and General Long-term Debt Account Groups

General Fixed Assets - The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

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

TOWN OF OIL CITY, LOUISIANA

Notes to Financial Statements

December 31, 1997

1. Summary of Significant Accounting Policies (Continued)

- C. Basis of Accounting** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue and charges for services. Fines, penalties and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

- D. Use of Estimates** - The preparation of financial statements generally requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.
- E. Budgets and Budgetary Accounting** - The Town follows these procedures in establishing the budgetary data reflected in these financial statements:
1. The Mayor prepares a proposed budget and submits same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
 2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
 3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
 4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
 5. The budget ordinance is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. Management may amend the budget only below the department level. There were no amendments made to the budgets for 1997 and 1998.
 6. The Town utilizes formal budgetary integration as a management control device for all funds.

TOWN OF OIL CITY, LOUISIANA

Notes to Financial Statements
December 31, 1997

I. Summary of Significant Accounting Policies (Continued)

- F. **Investment Securities** - Investment securities are stated at cost, adjusting for amortization of premiums and accretion of discounts computed using the interest method. Management intends to hold such investments to maturity.
- G. **Inventories** - Inventory of supplies in the Proprietary Fund is not material and is charged to operations as purchased.
- H. **Bad Debts** - Uncollectible amounts due for the ad valorem taxes receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectible ad valorem taxes was \$2,314 and \$1,035 at December 31, 1997 and 1996, respectively.

I. Property, Plant, and Equipment

General Fixed Assets Account Group

Fixed assets in governmental fund type operations are accounted for in the General Fund Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets, including roads, bridges, canals and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized along with other general fixed assets. No depreciation has been provided on such assets.

- J. **Compensated Absences** - The Town of Oil City has the following policy relating to vacation and sick leave:

Vacation - five days after one continuous year of service, ten days after two continuous years of service and thereafter. Vacation days must be used in the calendar year of entitlement. Unused days do not accrue.

Sick leave - limited to ten days at full pay. Days must be used within the calendar year and do not accrue.

The cost of current leave privileges, computed in accordance with GASB Codification Section 608, is recognized as a current-year expenditure in the governmental fund, when leave is actually taken.

K. Fund Equity -

Reserves - Reserves represent those portions of fund equity not appropriate for expenditures or legally created for a specific future use.

Designated fund balances - Designated fund balances represent amounts placed for future use of financial resources.

L. Interfund Transactions -

Quasi-internal transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

TOWN OF OIL-CITY, LOUISIANA

Notes to Financial Statements
December 31, 1997

1. Summary of Significant Accounting Policies (Continued)

L. Interfund Transactions (Continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as restricted equity transfers. All other interfund transfers are reported as operating transfers.

M. Property Taxes - The Town levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the Town on property values assessed by the Calcasieu Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

Town property tax revenues are recognized when levied to the extent that they result in current receivables.

Property Tax Calendar

Assessment date	January 1, 1997
Levy date	Not later than June 1, 1997
Tax bills mailed	November 15, 1997
Total taxes due due	December 31, 1997
Penalties and interest are added	January 1, 1998
Due date	No set policy
Tax sale - 1996 delinquent property	No set policy

Property taxes levied for the current year are recognized as revenues, even though a portion is collectible in the period subsequent to the levy. Assessed values are established by the Calcasieu Parish Tax Assessor each year on a uniform basis at the following ratios to fair market value:

10%	Land
10%	Residential Improvements
15%	Industrial Improvements
15%	Machinery
15%	Commercial Improvements
25%	Public Service Properties - including land

A re-evaluation of all property is required to be completed no less than every five years. A re-evaluation was completed for the tax roll of January 1, 1996.

- N. **Comparative Data.** Comparative totals for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, presentation of prior-year amounts by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.
- O. **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 or results of operations in conformity with generally accepted accounting principles. No other in-kind data comparable to a consolidation. Interfund distributions have not been made in the aggregate of this data.

TOWN OF OIL CITY, LOUISIANA

Notes to Financial Statements
December 31, 1997

2. Cash and Investments

At December 31, 1997, the carrying amount of the Town's deposits was \$798,158, and the bank balance was \$795,732. The bank balances were covered by federal depository insurance and/or collateralized by the pledge of securities as required by law. The Town has a master-party subcustody agreement between the Town, Citizens Bank & Trust - Vivian and Bank One, Oil City, Louisiana.

The carrying amount of the Town's deposits of each fund are comprised of the following:

	Cash	Investments	Total
General Fund	\$ 344,933	\$ 363,664	\$ 708,598
Special Revenue Funds	219,735	344,664	564,400
Debt Service Fund	8,123	-	8,123
	<u>\$ 572,791</u>	<u>\$ 708,328</u>	<u>\$ 1,281,119</u>

The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent but not in the Town's name.

Description	Category			Bank Balance	Market Value
	1	2	3		
FDIC Insurance - Bank One	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ 300,000
FDIC Insurance - CB&T	300,000	-	-	300,000	300,000
U.S. Treasury/FMMA - Money Market One	478,849	-	-	478,849	549,246
FHLB Agency Note - CB&T	116,803	-	-	116,803	187,000
Total Cash and Investments	<u>\$ 795,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 795,732</u>	<u>\$ 984,246</u>

Investment pools are under the custody of the City Clerk. Investing is performed in accordance with investment policies complying with State Statutes and the City Charter. Pooled funds may be invested in: (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral, and (3) savings accounts at savings and loan associations and banks, to the extent fully insured.

TOWN OF OIL CITY, LOUISIANA

Notes to Financial Statements
December 31, 1997

3. Property Taxes

For the year ended December 31, 1996, taxes of 34.08 mills were levied on property with assessed valuations totaling \$2,628,990 and were dedicated as follows:

Sewerage and streets 14.00 mills

Total taxes levied were \$36,881.

4. Receivables

As of December 31, 1997, receivables consisted of the following:

	General	Special Revenues
Property taxes	\$	\$ 23,223
Less allowance for bad debts		(2,344)
Housing authority	10,519	
Service charges		3,158
	\$ 24,202	\$ 24,037

5. Interfund Receivables, Payables

A summary of interfund receivables and payables is as follows:

	Interfund Receivables	Interfund Payables
Special Revenues	\$ 9,813	\$ 14,815
Debt Service	14,512	9,812
	\$ 24,325	\$ 24,627

6. Changes in Fixed Assets

A summary of changes in general fixed assets is as follows:

	Balance January 1, 1997	Additions	Deletions	Balance December 31, 1997
Land	\$ 40,254	\$	\$	\$ 40,254
Buildings and structures	1,232,998	50,178		1,283,176
Improvements	1,401,004	7,268		1,408,272
Equipment	177,642	75,281		252,923
Total	\$ 2,851,908	\$ 122,727	\$	\$ 3,146,728

TOWN OF OIL CITY, LOUISIANA

Notes to Financial Statements
December 31, 1997

3. Fund Deficits

The following individual fund has a deficit in the reserved fund balance at December 31, 1997:

	<u>Deficit Amount</u>
Debt service fund	<u>\$ 1,000</u>

4. Commitments and Contingencies

The Town is exposed to various risks of loss related to theft, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Various claims and lawsuits are pending against the Town. In the opinion of management, the potential loss on all claims and lawsuits will not be significant to the Town's financial statements.

5. Related Party Transactions

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended December 31, 1997.

SUPPLEMENTARY INFORMATION

TOWN OF CHL CITY, LOUISIANA

Schedule of Mayor's and Aldermen's Compensation For the Year Ended December 31, 1997

During 1997 the following amounts were paid to the Mayor and Town Aldermen:

Total A. Hopkins - Mayor's Salary	\$	2,400
Aldermen - per diem:		
Becky Bagley		650
Dennis Jackson		650
James Sims		650
John T. Weaver		650
Mark Wecklage		650
Total	\$	<u>3,600</u>

The current elected officials are as follows:

Office expiration date - December 31, 2000

Mayor:

Todd A. Hopkins

Aldermen:

Becky Bagley
Dennis Jackson
James Sims
John T. Weaver
Mark Wecklage

Chief of Police:

Richard Michael Knight

OTHER REPORTS



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

The Honorable Todd A. Hopkins, Mayor
and the Members of the Board of Aldermen of
The Town of Oil City, Louisiana

We have audited the general purpose financial statements of the Town of Oil City, Louisiana, as of and for the year ended December 31, 1995, and have issued our report thereon dated April 14, 1996.

We have conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of the Town of Oil City, Louisiana, for the year ended December 31, 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the Town of Oil City, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objective of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: cash and cash equivalents, receivables, property and equipment, payables and accrued liabilities, debt, and fund balances.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

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

John Pugh Robinson, III
Certified Public Accountant

April 14, 1998



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT ACCOUNTING STANDARDS**

The Honorable Todd A. Hopkins, Mayor
and the Members of the Board of Aldermen of
The Town of Oak City, Louisiana

We have audited the general purpose financial statements of the Town of Oak City, Louisiana, as of and for the year ended December 31, 1997, and have issued our report thereon dated April 14, 1998.

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 and GAOB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

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

The results of our tests indicate that, with respect to the items tested, the Town of Oak City complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Oak City had not complied, in all material respects, with those provisions.

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

Smith Pugh Rabinowitz L.L.P.
Certified Public Accountants

April 14, 1998