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TOWN OF ST. JOSEPH, LOUISIANA

**General Purpose Financial Statements
With Independent Auditors' Report
As of and for the Year Ended June 30, 1997
With Supplemental Information Schedules**

REISSUED

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 AUG 3 2 1998

TOWN OF ST. JOSEPH, LOUISIANA

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SECTION I - GENERAL PURPOSE FINANCIAL STATEMENTS

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA
ROXANNE B. JAMES, CPA

JOHN M. JONES, CPA 1921 - 1983

INDEPENDENT AUDITORS REPORT

Honorable Whitfield Jones, Mayor
And Members of the Board of Aldermen
Town of St. Joseph, Louisiana

We have audited the accompanying general purpose financial statements of Town of St. Joseph, 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 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the 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 St. Joseph 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.

In accordance with Government Auditing Standards, we have also issued our report dated July 2, 1998, on our consideration of the Town of St. Joseph's internal control over financial reporting on our tests of its compliance with certain provisions of laws, regulations contracts and grants.

Honorable Whitfield Jones, Mayor
and Members of the Board of Aldermen
Page Two

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. 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 stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

As discussed in Note L to the financial statements, certain omissions involving the Capital Projects Fund as of June 30, 1997 have been discovered by management during the current year. Accordingly, an adjustment to the funds statement of revenues and expenditures has been made.

October 3, 1997
July 2, 1998

Switzer, Hopkins & Mangan

TOWN OF ST. JOSEPH, LOUISIANA
 COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1997

	Governmental Fund Types		Proprietary Fund Type	Account Groups		Totals	
	General	Debt Service Capital Projects		General Fixed Assets	General Long-Term Debt	(Memorandum Only) 1997	1996
ASSETS AND OTHER DEBITS							
Cash	\$ 167,803	\$ -	\$ 318,690	\$ -	\$ 486,493	\$ 452,121	
Certificates of deposit	-	-	112,902	-	112,902	106,662	
Receivables, (net, of allowance for uncollectables)-							
Utility customers (Note A)	2,746	-	18,785	-	21,531	22,693	
Others	-	-	2,222	-	2,222	-	
Restricted assets (Note A):							
Cash	-	-	37,819	-	37,819	54,272	
General fixed assets	-	-	-	-	845,924	845,924	
Utility plant and equipment (Note C)	-	-	3,338,291	-	3,338,291	3,338,291	
Accumulated Depreciation (Note C)	-	-	(1,577,780)	-	(1,577,780)	(1,486,846)	
Investment in jointly owned gas line (Note H)	-	-	18,712	-	18,712	81,232	
Amount to be provided for retirement of general long-term debt	-	-	-	-	92,815	98,012	
Total assets	\$ 170,549	\$ -	\$ 2,269,641	\$ 845,924	\$ 3,378,929	\$ 3,512,361	

The following notes are an integral part of this statement.

TOWN OF ST. JOSEPH, LOUISIANA
 COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1997

LIABILITIES, EQUITY AND OTHER CREDITS	Governmental Fund Types			Fund		Account Group		Totals	
	General	Debt Service	Capital Projects	Enterprise	Long-Term Debt	General Fixed Assets	1997	(Memorandum Only) 1996	
Liabilities:									
Accounts payable	\$ 1,358	\$ -	\$ -	\$ 9,880	\$ -	\$ -	\$ 11,238	\$ 25,274	
Accrued payroll	3,218	-	-	2,740	-	-	5,958	-	
Note payable	-	-	-	-	92,815	-	92,815	98,012	
Payable from restricted assets:									
Customers' deposits	-	-	-	37,819	-	-	37,819	34,412	
Total liabilities	4,576	-	-	50,439	92,815	-	147,830	157,698	
Fund Equity:									
Contributed capital	-	-	-	2,565,985	-	-	2,565,985	2,565,985	
Investment in general fixed assets	-	-	-	-	-	845,924	845,924	845,924	
Retained earnings - Unreserved (deficit)	-	-	-	(346,783)	-	-	(346,783)	(141,641)	
Fund balances - Unreserved - Undesignated	165,973	-	-	-	-	-	165,973	84,395	
Total fund equity	165,973	-	-	2,219,202	-	845,924	3,231,099	3,354,663	
Total liabilities and and fund equity	\$ 170,549	\$ -	\$ -	\$ 2,269,641	\$ 92,815	\$ 845,924	\$ 3,378,929	\$ 3,512,361	

The following notes are an integral part of this statement.

TOWN OF ST. JOSEPH, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES--ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1997

	Governmental Fund Types			Totals	
	General	Debt Service	Capital Projects	(Memorandum Only) 1997	1996
Revenues:					
Taxes	\$ 141,102	-	-	\$ 141,102	\$ 86,314
Licenses and permits	43,329	-	-	43,329	42,161
Intergovernmental	-	-	447,719	447,719	43,099
Fines	704	-	-	704	1,666
Garbage fees	35,394	-	-	35,394	35,099
Miscellaneous	31,572	13,034	-	44,606	25,863
Total revenues	252,101	13,034	447,719	712,854	234,202
Expenditures:					
Current-					
General government	74,500	-	-	74,500	55,114
Streets and sanitation	81,744	-	-	81,744	62,845
Public safety-					
Police	75,358	-	-	75,358	48,946
Fire	10,230	-	-	10,230	8,222
Capital outlay	-	-	447,719	447,719	43,099
Principal retirement	-	5,196	-	5,196	4,746
Interest paid	-	7,838	-	7,838	8,288
Total expenditures	241,832	13,034	447,719	702,585	231,260
Excess of revenues (under) expenditures	10,269	-	-	10,269	2,942
Other financing sources:					
Operating transfers in (out)	71,309	-	-	71,309	27,327
Excess of revenues and other sources over expenditures and other uses	81,578	-	-	81,578	30,269
Fund balance, beginning	84,395	-	-	84,395	-
Fund balances, ending	\$ 165,973	\$ -	\$ -	\$ 165,973	\$ 84,395

The following notes are an integral part of this statement.

TOWN OF ST. JOSEPH, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 1997

	1997			(Memorandum)
	Budget	Actual	Variance- Favorable (Unfavorable)	Only 1996 Actual
Revenues:				
Taxes	\$ 88,100	\$ 141,102	\$ 53,002	\$ 86,314
Licenses and permits	40,000	43,329	3,329	42,161
Fines	2,000	704	(1,296)	1,666
Garbage fees	33,000	35,394	2,394	35,099
Miscellaneous	27,000	31,572	4,572	12,803
Total revenues	190,100	252,101	62,001	178,043
Expenditures:				
General government	66,300	74,500	(8,200)	55,114
Street and sanitation	59,400	81,744	(22,344)	62,845
Public safety-				
Police	56,700	75,358	(18,658)	48,946
Fire	4,100	10,230	(6,130)	8,222
Total expenditures	186,500	241,832	(55,332)	175,127
Excess of revenues over expenditures	3,600	10,269	6,669	2,916
Other financing sources:				
Operating transfers in	10,000	71,309	61,309	31,399
Excess of revenues and other sources over expenditures	13,600	81,578	67,978	34,315
Fund balance, beginning	84,395	84,395	-	50,080
Fund balance, ending	\$ 97,995	\$ 165,973	\$ 67,978	\$ 84,395

The following notes are an integral part of this statement.

TOWN OF ST. JOSEPH, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1997

	<u>1997</u>	(Memorandum Only) <u>1996</u>
Operating revenues:		
Charges for services:		
Gas sales	\$ 181,355	\$ 227,121
Water sales	108,471	108,638
Sewer sales	19,736	19,930
Delinquent charges	11,001	9,038
Rural development grant	-	15,000
Miscellaneous revenues	16,051	7,839
Total operating revenues	<u>336,614</u>	<u>387,566</u>
Operating expenses:		
Gas department expenses	150,312	177,498
Water department expenses	94,784	83,436
Sewer department expenses	21,232	4,921
General and administrative expenses	177,731	167,152
Total operating expenses	<u>444,059</u>	<u>433,007</u>
Operating (loss)	<u>(107,445)</u>	<u>(45,441)</u>
Nonoperating revenues:		
Income (loss) from jointly owned gas line	(47,520)	8,929
Interest earned	21,132	19,197
Total nonoperating revenue	<u>(26,388)</u>	<u>28,126</u>
Income (loss) before operating transfers	(133,833)	(17,315)
Operating transfers:		
Transfer to general fund	<u>(71,309)</u>	<u>(27,327)</u>
Net (loss)	(205,142)	(44,642)
Retained earnings, beginning (deficit)	<u>(141,641)</u>	<u>(96,999)</u>
Retained earnings, ending (deficit)	<u>\$ (346,783)</u>	<u>\$ (141,641)</u>

The following notes are an integral part of this statement.

TOWN OF ST. JOSEPH, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1997

	<u>1997</u>	(Memorandum Only) <u>1996</u>
Cash flows from operating activities:		
Cash received from customers	\$ 337,838	\$ 374,138
Cash paid to suppliers for goods and services	(287,562)	(249,025)
Cash payments to employees for services	(73,002)	(85,042)
Operating grants received	-	15,000
Net cash provided by operating activities	<u>(22,726)</u>	<u>55,071</u>
Cash flows from non-capital financing activities:		
Operating transfers to general fund	(71,309)	(27,327)
Increase (decrease) in customer deposits	3,407	(6,373)
Net cash (used) by non-capital financing activities	<u>(67,902)</u>	<u>(33,700)</u>
Cash flows from capital related financing activities		
Acquisition of capital assets	<u>-</u>	<u>(6,213)</u>
Cash flows from investing activities		
Interest received	18,910	19,197
Income received from joint gas line	15,000	7,500
Net cash provided by investing activities	<u>33,910</u>	<u>26,697</u>
Net increase (decrease) in cash	(56,718)	41,855
Cash at beginning of year	<u>526,129</u>	<u>484,274</u>
Cash at end of year	<u>\$ 469,411</u>	<u>\$ 526,129</u>
Reconciliation of (operating loss) to cash provided by operating activities:		
Operating (loss)	(107,445)	(45,441)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	90,934	89,178
Decrease in:		
Accounts receivable	1,224	1,572
Prepaid expenses	-	4,389
Increase (decrease) in:		
Accounts payable	(10,179)	8,046
Accrued payroll	2,740	
Due to general fund	-	(2,673)
Net cash provided by operating activities	<u>\$ (22,726)</u>	<u>\$ 55,071</u>

The following notes are an integral part of this statement.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of St. Joseph, Louisiana was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government. The Town provides the following services: utility operations, public safety (police and fire) streets, sanitation and general administrative services.

The accounting and reporting policies of the Town of St. Joseph, Louisiana conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guides and to the industry audit guide, Audits of State And Local Governmental Units.

The following is a summary of certain significant accounting policies.

1. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Town 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.

2. Fund Accounting

The accounts of the Town of St. Joseph, Louisiana 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 comprises its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report into four generic fund types and two broad fund categories as follows:

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENTAL FUND TYPES

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 fund

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

Debt service funds

Debt service funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

PROPRIETARY FUND TYPE

Enterprise fund

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

3. Property, Plant and Equipment and Long-Term Liabilities

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group and are recorded as expenditures in the governmental fund types when purchased. The Town has elected to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks and drainage improvements. No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used in the proprietary fund is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Gas lines	40 years
Water lines and plant	30 to 40 years
Sewer lines	40 years
Vehicles and equipment	3 to 10 years

All fixed assets are stated at historical cost.

4. Basis of Accounting

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

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTES A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred. Bad debts are recognized when they become uncollectable.

5. Budgets and Budgetary Accounting

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

1. The Town prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The Town approves a budget for the general fund only.
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 the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTES A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

6. Inventories

Inventories of material and supplies are valued at lower of cost or market.

7. Amounts due from other funds

Amounts reflected as due from other funds represent short-term operating loans and are considered "available spendable resources".

8. Allowance for uncollectable accounts

Allowance for uncollectable accounts receivable at June 30, 1997 is \$2,500.

9. Restricted assets

Certain assets of the Town of St. Joseph, Louisiana have been restricted for customers' deposits and these assets total \$37,819.

10. Total columns on combined statements - overview

Total columns on the combined statements - overview 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

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1997

NOTES A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

11. Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of St. Joseph and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE B - CHANGES IN GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of changes in general fixed assets follows:

	Balance July 1, <u>1996</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>1997</u>
Land	\$ 40,605	\$ -	\$ -	\$ 40,605
Buildings	410,552	-	-	410,552
Other improvements	158,074	-	-	158,074
Equipment	236,693	-	-	236,693
TOTAL	<u>\$ 845,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 845,924</u>

NOTE C - PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund's plant and equipment at June 30, 1997 follows:

Gas system	\$ 730,463
Water system	1,381,929
Sewer system	1,113,633
Vehicles and equipment	94,031
Office equipment	10,349
Land	7,886
Total	<u>3,338,291</u>
Less: accumulated depreciation	<u>(1,577,780)</u>
Net	<u>\$ 1,760,511</u>

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE D - AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1, of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1, of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tensas Parish.

For the year ended June 30, 1997 taxes of 6.36 mills were levied on property with assessed valuations totaling \$3,411,811 and were dedicated to general corporate purposes.

Total taxes levied were \$21,699.

NOTE E - PENSION PLAN

Substantially all employees of the Town of St. Joseph are members of the Municipal Employees Retirement System of Louisiana, a multiple employer, public employee retirement system controlled and administered by a separate board of trustees.

All full time employees are members of the system. Employer contributions were 3.75% of actual payroll during the year ended June 30, 1997 and employees contributions were 5% of payroll. 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 pension benefits are not guaranteed by the Town of St. Joseph.

The Town contributed \$4,718 during the year and employees contributed \$7,233.

NOTE F - CASH AND CASH EQUIVALENTS

Under state law, the city 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 and cash equivalents according to the bank's balances totaling \$650,024 as follows:

Demand deposits	\$ 499,303
Time deposits	150,721
Total	<u>\$ 650,024</u>

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1997

NOTE F - CASH AND CASH EQUIVALENTS - CONTINUED

Under state law, these deposits, or the resulting bank balances, 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. Cash and cash equivalents (bank balances) at June 30, 1997 are secured as follows:

Federal deposit insurance	\$ 300,000
Pledged securities	350,000
Total	<u>\$ 650,024</u>

NOTE G - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The Town does not accrue unpaid vacation pay or sick pay in its financial statements. The Town's policy concerning compensation for unpaid vacation pay is that upon termination of an employee, vacation days not previously used by the employee are not reimbursed. The policy concerning sick pay is that each case is considered on a case by case basis.

NOTE H - OTHER INVESTMENTS - ENTERPRISE FUND

The Town of St. Joseph, Louisiana owns jointly with the Town of Newellton, Louisiana, a gas pipe line, which transports natural gas to the Towns. The jointly owned line is operated independently of the Towns. The carrying value of the investment is recorded at the equity value of the investment. The annual net income is added to the investment and cash withdrawals and net losses are deducted from the investment value.

TOWNS OF ST. JOSEPH AND NEWELLTON, LOUISIANA
 Jointly Owned Gas Pipe Line
 Balance Sheet
 June 30, 1997

ASSETS

Cash	\$ 125,924
Accounts receivable	12,479
Total assets	<u>138,403</u>

LIABILITIES AND TOWNS' EQUITY

Accounts payable	\$ <u>100,978</u>
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TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1997

NOTE H - OTHER INVESTMENTS - ENTERPRISE FUND - CONTINUED

Towns equity	
Town of Newellton, Louisiana	18,713
Town of St. Joseph, Louisiana	<u>18,712</u>
Total towns' equity	<u>37,425</u>
Total liabilities and towns equity	<u>\$ 138,403</u>

Audited financial statements of this joint venture are available at the Town of St. Joseph, Louisiana's City Hall.

NOTE I - CHANGES IN LONG-TERM DEBT

The following is a summary of note transactions of the Town of St. Joseph for the year ended June 30, 1997:

Note payable at June 30, 1996	\$ 98,012
Principal retired	<u>(5,197)</u>
Note payable at June 30, 1997	<u>\$ 92,815</u>

Note payable consisted of a note to a commercial bank for the payment of a loan on a medical office. Liability is a \$140,000 note at 8% payable in quarterly installments of \$6,517.

The annual requirements to amortize the debt outstanding as of June 30, 1997 is as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 1998	\$ 19,210	\$ 6,858	\$ 26,068
June 30, 1999	20,793	5,725	26,068
June 30, 2000	22,507	3,561	26,068
June 30, 2001	24,362	1,706	26,068
June 30, 2002	5,943	145	6,088
Total	<u>\$ 92,815</u>	<u>\$ 17,545</u>	<u>\$ 110,360</u>

NOTE J - EXPENDITURES - ACTUAL AND BUDGET

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

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess of Actual Over Budgeted Expenditures</u>
General Fund	<u>\$ 186,500</u>	<u>\$ 241,832</u>	<u>\$ 55,332</u>

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE K - PRIOR PERIOD ADJUSTMENT

Financial statement memorandum only totals at June 30, 1996 have been restated for a note payable in the general long-term debt account group which was inadvertently omitted from the June 30, 1996 financial statements. The omission had no effect on reported excess of revenues and other sources over expenditures and other uses or fund equity at June 30, 1996.

NOTE L - ERROR CORRECTION

The statement of revenues and expenditures has been corrected to include additional amounts of revenues and expenditures. These changes did not effect the fund balance.

This report also includes certain reports required by the Single Audit Act in Section V.

SECTION II - SUPPLEMENTAL INFORMATION SCHEDULES

GENERAL FUND

To account for resources traditionally associated with governments
which are not required to be accounted for in another fund.

TOWN OF ST. JOSEPH, LOUISIANA
GENERAL FUND

BALANCE SHEET
 YEAR ENDED JUNE 30, 1997

<u>ASSETS</u>	<u>1997</u>	(Memorandum Only) <u>1996</u>
Cash	\$ 167,803	\$ 86,926
Receivables - Garbage fees	2,746	2,684
Total assets	<u>170,549</u>	<u>89,610</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	1,358	5,215
Accrued payroll	3,218	-
Total liabilities	<u>4,576</u>	<u>5,215</u>
Fund balance-unreserved	<u>165,973</u>	<u>84,395</u>
Total liabilities and fund balance	<u>\$ 170,549</u>	<u>\$ 89,610</u>

The following notes are an integral part of this statement.

TOWN OF ST. JOSEPH, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 1997

	<u>1997</u>		Variance- Favorable (Unfavorable)	(Memorandum)
	<u>Budget</u>	<u>Actual</u>		Only 1996 <u>Actual</u>
Revenues:				
Taxes				
Ad valorem	\$ 19,600	\$ 21,688	\$ 2,088	\$ 21,555
Sales	40,000	82,360	42,360	28,815
Intergovernmental	7,100	13,272	6,172	12,593
Franchise	21,400	23,782	2,382	23,351
Total taxes	<u>88,100</u>	<u>141,102</u>	<u>53,002</u>	<u>86,314</u>
Licenses and permits	40,000	43,329	3,329	42,151
Fines	2,000	704	(1,296)	1,666
Garbage fees	33,000	35,394	2,394	35,099
Miscellaneous	27,000	31,572	4,572	12,803
Total revenues	<u>190,100</u>	<u>252,101</u>	<u>62,001</u>	<u>178,043</u>
Expenditures:				
General government	66,300	74,500	(8,200)	55,114
Street and sanitation	59,400	81,744	(22,344)	62,845
Public safety-				
Police	56,700	75,358	(18,658)	48,946
Fire	4,100	10,230	(6,130)	8,222
Total expenditures	<u>186,500</u>	<u>241,832</u>	<u>(55,332)</u>	<u>175,127</u>
Excess of revenues over (under) expenditures	3,600	10,269	6,669	2,916
Other financing sources:				
Operating transfers in	<u>10,000</u>	<u>71,309</u>	<u>61,309</u>	<u>31,399</u>
Excess of revenues and other sources over expenditures	13,600	81,578	67,978	34,315
Fund balance, beginning	<u>84,395</u>	<u>84,395</u>	-	<u>50,080</u>
Fund balance, ending	<u>\$ 97,995</u>	<u>\$ 165,973</u>	<u>\$ 67,978</u>	<u>\$ 84,395</u>

The following notes are an integral part of this statement.

TOWN OF ST. JOSEPH, LOUISIANA
GENERAL FUND
STATEMENT OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
YEAR ENDED JUNE 30, 1997

	<u>1997</u>		Variance- Favorable (Unfavorable)	(Memorandum Only) 1996
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
General government				
Aldermen fees	\$ 7,500	\$ 7,375	\$ 125	\$ 7,500
Community house	6,500	2,234	4,266	3,032
Insurance	32,000	37,283	(5,283)	31,083
Office expense	800	793	7	812
Payroll taxes and retirement	7,500	8,396	(896)	9,487
Miscellaneous	12,000	18,419	(6,419)	3,200
Total general government	<u>66,300</u>	<u>74,500</u>	<u>(8,200)</u>	<u>55,114</u>
Streets and Sanitation				
Salaries	25,000	26,772	(1,772)	20,964
Supplies	3,500	1,601	1,899	1,330
Truck expense	2,400	-	2,400	55
Repairs	7,500	22,780	(15,280)	6,022
Utilities	20,000	19,307	693	19,342
Other	1,000	11,284	(10,284)	15,132
Total streets and sanitation	<u>59,400</u>	<u>81,744</u>	<u>(22,344)</u>	<u>62,845</u>
Public safety - police				
Salaries	43,000	51,417	(8,417)	39,601
Gas, and oil	3,700	3,588	112	3,154
Repairs	1,200	4,174	(2,974)	1,068
Miscellaneous	8,800	16,179	(7,379)	5,123
Total public safety - police	<u>56,700</u>	<u>75,358</u>	<u>(18,658)</u>	<u>48,946</u>
Public safety - fire				
Truck expenses	300	1,093	(793)	3,411
Telephone	2,000	1,029	971	2,651
Utilities	700	987	(287)	1,251
Supplies	1,100	7,121	(6,021)	909
Total public safety - fire	<u>4,100</u>	<u>10,230</u>	<u>(6,130)</u>	<u>8,222</u>
 Total expenditures	 <u>\$ 186,500</u>	 <u>\$ 241,832</u>	 <u>\$ (55,332)</u>	 <u>\$ 175,127</u>

The following notes are an integral part of this statement.

ENTERPRISE FUND

Utility Fund - To account for the provision of water, gas, sewer and sanitation services to residents of the Town and some residents of the Parish. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, maintenance, financing and related debt service, and billings and collections.

TOWN OF ST. JOSEPH, LOUISIANA
 ENTERPRISE FUND
 UTILITY FUND

COMPARATIVE BALANCE SHEET
 JUNE 30, 1997

	1997	(Memorandum Only) 1996		1997	(Memorandum Only) 1996
<u>ASSETS</u>					
Current assets:			<u>LIABILITIES AND FUND EQUITY</u>		
Cash	\$ 318,690	\$ 365,195	Liabilities:		
Certificates of deposit	112,902	106,662	Current liabilities		
Accounts receivable:			Accounts payable	\$ 9,880	\$ 20,059
Customers-net of allowance			Accrued payroll	<u>2,740</u>	<u>-</u>
for uncollectables	18,785	20,009	Total current liabilities		
Others	2,222	-	(payable from current		
Total current assets	<u>452,599</u>	<u>491,866</u>	(assets)	<u>12,620</u>	<u>20,059</u>
Restricted assets:			Current liabilities (payable from		
Consumer deposits-cash	<u>37,819</u>	<u>54,272</u>	restricted assets)		
Plant & equipment, at cost, net of			Customer deposits	<u>37,819</u>	<u>34,412</u>
accumulated depreciation (1997			Total liabilities	<u>50,439</u>	<u>54,471</u>
\$1,577,780, 1996 \$1,486,846)	<u>1,760,511</u>	<u>1,851,445</u>	Fund equity:		
Other assets:			Contributed capital	2,565,985	2,565,985
Investment in gas pipe line			Retained earnings -		
jointly with Town of Newellton,			Unreserved (deficit)	(346,783)	(141,641)
Louisiana recorded at equity value			Total fund equity	<u>2,219,202</u>	<u>2,424,344</u>
Total assets	<u>\$ 2,269,641</u>	<u>\$ 2,478,815</u>	Total liabilities and fund		
			equity	<u>\$ 2,269,641</u>	<u>\$ 2,478,815</u>

The following notes are an integral part of this statement.

TOWN OF ST. JOSEPH, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1997

	<u>1997</u>	(Memorandum Only) <u>1996</u>
Operating revenues:		
Charges for services:		
Gas sales	\$ 181,355	\$ 227,121
Water sales	108,471	108,638
Sewer sales	19,736	19,930
Delinquent charges	11,001	9,038
Rural development grant	-	15,000
Miscellaneous revenues	16,051	7,839
Total operating revenues	<u>336,614</u>	<u>387,566</u>
Operating expenses:		
Gas department expenses	150,312	177,498
Water department expenses	94,784	83,436
Sewer department expenses	21,232	4,921
General and administrative expenses	177,731	167,152
Total operating expenses	<u>444,059</u>	<u>433,007</u>
Operating (loss)	<u>(107,445)</u>	<u>(45,441)</u>
Nonoperating revenues:		
Income (loss) from jointly owned gas line	(47,520)	8,929
Interest earned	21,132	19,197
Total nonoperating revenue	<u>(26,388)</u>	<u>28,126</u>
Income (loss) before operating transfers	(133,833)	(17,315)
Operating transfers:		
Transfer to general fund	<u>(71,309)</u>	<u>(27,327)</u>
Net (loss)	(205,142)	(44,642)
Retained earnings, beginning (deficit)	<u>(141,641)</u>	<u>(96,999)</u>
Retained earnings, ending (deficit)	<u>\$ (346,783)</u>	<u>\$ (141,641)</u>

The following notes are an integral part of this statement.

TOWN OF ST. JOSEPH, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED JUNE 30, 1997

	<u>1997</u>	(Memorandum Only) <u>1996</u>
Gas department expenses:		
Salaries and wages	\$ 46,773	\$ 57,375
Materials and supplies	4,711	3,608
Utilities	4,506	4,296
Insurance	945	140
Repairs	6,076	3,941
Gas purchased	79,836	100,023
Truck gas and oil	3,214	3,194
Bad debts	2,650	3,419
Employee drug testing	1,601	1,502
Total gas departments	<u>150,312</u>	<u>177,498</u>
Water department expenses:		
Salaries	28,969	27,667
Supplies	41,521	34,257
Repairs	11,450	5,294
Utilities	11,509	10,326
Telephone	544	573
Insurance	791	5,319
Total water department expenses	<u>94,784</u>	<u>83,436</u>
Sewer department expenses:		
Materials and supplies	963	671
Utilities	2,978	2,524
Repairs	16,381	956
Laboratory tests	910	770
Total sewer department expenses	<u>21,232</u>	<u>4,921</u>
General and administrative expenses:		
Group insurance	16,839	16,540
Retirement	2,214	3,582
Telephone	1,959	1,637
Insurance	20,473	16,291
Rent	3,000	3,000
Computer service	2,818	2,378
Meter readings	5,500	6,000
Advertising	652	3,011
Office expense	2,281	1,786
Dues	488	453
Auditing and legal	5,263	5,042
Travel	5,026	3,914
Payroll taxes	7,408	8,663
Depreciation	90,934	89,178
Other expenses	12,876	5,677
Total general and administrative expenses	<u>177,731</u>	<u>167,152</u>

The following notes are an integral part of this statement.

TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF COMPENSATION PAID ALDERMEN
FOR THE YEAR ENDED JUNE 30, 1997

Jack Grace, Jr.	\$ 1,500
Wanda S. Webb	750
Bennie Stansell	1,375
Jimmy Clark	1,500
Thelma Bradford	1,500
Buddy Tindell	750
Total	<u>\$ 7,375</u>

SECTION III - INTERNAL CONTROL

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA
ROXANNE B. JAMES, CPA

JOHN M. JONES, CPA 1921 - 1983

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

The Honorable Whitfield Jones, Mayor
And Members of the Board of Aldermen
Town of St. Joseph, Louisiana

We have audited the general purpose financial statements of the Town of St. Joseph, Louisiana for the year ended June 30, 1997, and have issued our report thereon dated

We have conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB 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.

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

In planning and performing our audit of the general purpose financial statements of the Town of St. Joseph, Louisiana for the year ended June 30, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we

The Honorable Whitfield Jones, Mayor
And Members of the Board of Aldermen
Town of St. Joseph, Louisiana
Page Two

obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

A. Segregation of Duties

Due to the relatively small size of the Town, the majority of accounting functions are performed by one individual. Since a segregation of duties, desired for a strong system of internal control, cannot be achieved, we suggest that the Town's Mayor and Board of Aldermen continue to perform an active role in the accounting process.

A material weakness is a reportable 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 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the use of 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.

Ferriday, Louisiana
October 3, 1997

Switzer, Hopkins & Munge

SECTION IV - COMPLIANCE

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN E. MANGE, CPA
ROXANNE B. JAMES, CPA

JOHN M. JONES, CPA 1921 - 1983

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND
REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Whitfield Jones, Mayor
And Members of the Board of Aldermen
St. Joseph, Louisiana

We have audited the general purpose financial statements of the Town of St. Joseph, Louisiana, for the year ended June 30, 1997, and have issued our report thereon dated October 3, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB 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 St. Joseph, Louisiana, is the responsibility of the Town of St. Joseph, Louisiana management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants. However, our 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.

Material instances of noncompliance are failures to follow requirements or violations of prohibitions contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of the tests of noncompliance, the effects of which have been corrected in the Town of St. Joseph, Louisiana's financial statements.

Expenditures in Excess of Budget

The Town of St. Joseph, Louisiana spent \$241,832 in the general fund during the year ended June 30, 1997 when \$186,500 was budgeted for the period. Any expenditures in excess of 5% of the amount budgeted is a violation of State Law.

The Honorable Whitfield Jones, Mayor
And Members of the Board of Aldermen
St. Joseph, Louisiana
Page Two

We considered these instances of noncompliance in forming our opinion on whether the Town of St. Joseph, Louisiana's general purpose financial statements as of June 30, 1997, are presented fairly, in all material respects, in conformity with generally accepted accounting principles. This report does not affect our report dated October 3, 1997, on those financial statements.

Except as described previously, the results of our tests of noncompliance indicate that, with respect to the items tested, The Town of St. Joseph, Louisiana complied, in all material respect to the items not tested, nothing came to our attention that caused us to believe that the Town of St. Joseph, Louisiana had not complied, in all material respects, with those provisions.

This report is intended solely for the information of management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Ferriday, Louisiana
October 3, 1997

Switzer, Hopkins & Manger

SECTION V - SINGLE AUDIT REPORTS

TOWN OF ST. JOSEPH, LOUISIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 1997

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Expenditures</u>
HUD LCDBG program	14.219	101-6037	\$ 447,719

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA
ROXANNE B. JAMES, CPA

JOHN M. JONES, CPA 1921 - 1983

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

Honorable Whitfield Jones, Mayor
and Member of the Board of Aldermen
Town of St. Joseph, Louisiana

We have audited the compliance of Town of St. Joseph with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1997. Town of St. Joseph's major federal program is identified in the schedule of federal financial assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of St. Joseph's management. Our responsibility is to express an opinion on Town of St. Joseph's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of St. Joseph's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Town of St. Joseph's compliance with those requirements.

In our opinion, Town of St. Joseph complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997.

Honorable Whitfield Jones, Mayor
and Members of the Board of Aldermen
Page Two

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Ferriday, Louisiana
July 2, 1998

Switzer, Hopkins & Mangé