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**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

*With Supplemental Information Schedules*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 12/7/05

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*A Professional Accounting Corporation*  
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Monroe, Louisiana 71201

**TOWN OF OAK GROVE, LOUISIANA  
 FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2005  
 WITH SUPPLEMENTAL INFORMATION SCHEDULES**

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## **Independent Auditor's Report**

### **To the Mayor and Council Members Town of Oak Grove**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, Louisiana as of and for the year ended June 30, 2005, which collectively comprise the Town of Oak Grove's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Oak Grove, Louisiana's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, Louisiana, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 5 through 7 and pages 35 through 36 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oak Grove, Louisiana's basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing

procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

**DARLA S. TURNER**  
**CERTIFIED PUBLIC ACCOUNTANT**

**Monroe, Louisiana**  
**November 15, 2005**

## TOWN OF OAK GROVE, LOUISIANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town provides an overview of the Town's activities for the year ended June 30, 2005. Please read it in conjunction with the Town's financial statements.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole.

#### Reporting the Town as a Whole

##### The Statement of Net Assets and the Statement of Activities

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. The Town's net assets - the difference between assets and liabilities - measures the Town's financial position. The increases or decreases in the Town's net assets are an indicator of whether its financial position is improving or deteriorating.

### THE TOWN AS A WHOLE

For the year ended June 30, 2005, net assets changed as follows:

Beginning Net Assets	\$ 2,316,990
Increase in Net Assets	302,379
Prior Period Adjustment	(3,697)
Ending Net Assets	<u>\$ 2,615,672</u>

### THE TOWN'S FUNDS

The following schedule presents a summary of revenues and expenditures for the year ended June 30, 2005.

#### Governmental activities:

Revenues	Amount	Percent of Total
Sales taxes	\$ 478,220	66.30%
Property taxes	157,513	21.84%
Lease income	31,879	4.42%
Interest earned	31,386	4.35%
Miscellaneous	22,340	3.10%
Total Revenues	<u>\$ 721,338</u>	<u>100.00%</u>

<u>Expenditures</u>		
General government	\$ 408,862	49.06%
Public Safety	244,323	29.31%
Public Works	72,252	8.67%
Health & Welfare	-	0.00%
Operating Services	1,088	0.13%
Culture & Recreation	4,485	0.54%
Economic Development	-	0.00%
Interest on Long-Term Debt	102,458	12.29%
Total Expenditures	<u>\$ 833,468</u>	<u>100.00%</u>

Business-type activities:

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Water and sewer revenue	\$ 443,212	96.52%
Fees, charges & commissions for services	-	0.79%
Grant income - LCDBG	-	0.00%
Interest earnings	5,400	1.15%
Miscellaneous	6,977	1.52%
Total Revenues	<u>\$ 459,194</u>	<u>99.97%</u>

<u>Expenditures</u>		
Health & Welfare	\$ 378,728	68.34%
Capital Outlay	607	0.11%
Depreciation Expense	143,756	25.94%
Interest on Long-Term Debt	31,116	5.61%
Total Expenditures	<u>\$ 554,207</u>	<u>100.00%</u>

**BUDGETARY HIGHLIGHTS**

The General Fund and the Sales Tax Fund's total revenues in 2005 exceeded the final budget by \$38,981. Actual expenditures for those same funds in 2005 exceeded the final budget by \$29,570.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2005, the Town had \$8,474,902 invested in capital assets including buildings and improvements, vehicles, machinery, equipment and land (see table below).

<u>Asset</u>	<u>Gross</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Buildings & improvement	\$ 23,495	\$ 9,143	\$ 14,352
Infrastructure	7,846,997	2,105,197	5,741,800
Furniture and equipment	313,258	220,439	92,819
Vehicles	247,396	194,826	52,570
Land	43,756	-	43,756
	<u>\$ 8,474,902</u>	<u>\$ 2,529,605</u>	<u>\$ 5,945,297</u>

This year's additions included \$206,848 in vehicles, furniture and equipment and infrastructure.

## **DEBT**

At year end, the Town had a total of \$2,050,000 in general obligation bonds, Series 99, outstanding. The bonds bear interest at various rates from 4.30% to 4.70% and are due to mature in 2017. The Water and Sewer Revenue Bond, which totals \$623,749, is due in monthly installments of \$4,995 through March 20, 2038. It bears interest at 4.875%.

In addition, the Town had a total liability of \$31,293 for compensated absences.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town of Oak Grove had more expenses in the general fund in the fiscal year 2004-2005 mainly due to the following factors:

The interest earned on certificates of deposit was less because of lower interest rates. An increase in the Municipal Police Retirement System mandated the employer's share of police retirement go from 15.25% to 21.5%. A full-time police officer was hired in lieu of part-time help that was used most of 2003-2004 fiscal year. This meant an increase in wages, health insurance and retirement.

Insurance premiums were increased in the areas of commercial property, general liability, law enforcement liability and elected officials' errors and omissions.

In 2004, health insurance premiums were \$44,196 compared to the 2005 health insurance premiums of \$51,041.00

Police salaries in 2004 were \$120,570. In 2005, police salaries were \$136,800.

In 2004, fuel costs for police cars were \$7,296. In 2005, fuel cost for police cars was \$8,385.

The General Fund experienced an increase in all operating costs; however, there were no new revenues to compensate for the higher cost of operations.

The Town of Oak Grove did not receive as many grants from the State of Louisiana this fiscal year.

The Town of Oak Grove is located in a depressed area of the state. The Town's revenues are derived mainly from a special sales tax and use tax, property tax assessments and fees for services. The Town does not anticipate any major increases or decreases in these revenues.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk, Mrs. Sandra Miller.

Mrs. Sandra Miller  
Town Clerk



TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-Type Activities Water and Sewer Fund	Total
ASSETS			
Cash	\$ 2,159,271	\$ 312,353	\$ 2,471,624
Cash - restricted	-	164,568	164,568
Accounts Receivable	90,005	39,104	129,109
Inventory		10,989	10,989
Grant receivable	-	-	-
Due from other funds	500	-	500
Due From Other Entities	-	-	-
Capital Assets:			
Non-Depreciable	33,000	10,756	43,756
Depreciable	2,488,106	3,413,435	5,901,541
<b>TOTAL ASSETS</b>	<b>\$ 4,770,882</b>	<b>\$ 3,951,205</b>	<b>\$ 8,722,087</b>

LIABILITIES	Governmental Activities	Business-Type Activities	Total
		Water and Sewer Fund	
<b>Current Liabilities</b>			
Accounts Payable	\$ 43,366	\$ 19,607	\$ 62,973
Payroll and related liabilities	4,245	1,888	6,133
Due to other funds	-	-	-
Due to others	43,080	48,699	91,779
Total Current Liabilities	<u>90,691</u>	<u>70,194</u>	<u>160,885</u>
<b>Non-Current Liabilities</b>			
<b>Due Within One Year</b>			
Bonds Payable	115,000	59,941	174,941
Interest payable	-	9,914	9,914
<b>Due in More Than One Year</b>			
Bonds Payable	1,935,000	563,808	2,498,808
Payroll and related liabilities	14,519	10,641	25,160
Total Non-Current Liabilities	<u>2,064,519</u>	<u>644,304</u>	<u>2,708,823</u>
Total Liabilities	<u>2,155,210</u>	<u>714,498</u>	<u>2,869,708</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	471,106	2,800,442	3,271,548
Reserved For:			
Refund of sales tax collections	40,175	-	40,175
Debt Service	349,205	-	349,205
Unreserved, Reported In:			
General Fund	273,654	436,265	709,919
Special Revenue Funds	1,481,532	-	1,481,532
Capital Project Funds	-	-	-
Total Net Assets	<u>2,615,672</u>	<u>3,236,707</u>	<u>5,852,379</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,770,882</u>	<u>\$ 3,951,205</u>	<u>\$ 8,722,087</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Government Activities:					
General Government	\$ 408,862	\$ 232,951	\$ -	\$ -	\$ (175,911)
Public Safety	244,323	-	2,700	-	(241,623)
Public Works	74,984	-	-	181,590	106,606
Operating Services	1,088	-	-	-	(1,088)
Culture & Recreation	4,485	-	-	-	(4,485)
Health and welfare	-	-	-	-	-
Interest on Long-Term Debt	102,458	-	-	-	(102,458)
<b>Total Governmental   Activities</b>	<b>\$ 836,200</b>	<b>\$ 232,951</b>	<b>\$ 2,700</b>	<b>\$ 181,590</b>	<b>\$ (418,959)</b>

General Revenues:

Taxes:	
Property Taxes	157,513
Sales Taxes	478,220
Miscellaneous	22,340
Lease income	31,879
Interest Earned	31,386
Total General Revenues	<u>721,338</u>
Changes in Net Assets	302,379
Net Assets - Beginning	2,316,990
Prior period adjustment	<u>(3,697)</u>
Net Assets - Ending	<u>\$ 2,615,672</u>

The Notes to the Basic Financial Statements are an integral part of this statement

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General Fund	Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 271,457	\$ 797,946	\$ 1,089,868	\$ 2,159,271
Investments	-	-	-	-
Receivables	48,741	41,264	-	90,005
Grant receivable	-	-	-	-
Due from other funds	-	500	-	500
Due from other entities	-	-	-	-
Inventory	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 320,198</b>	<b>\$ 839,710</b>	<b>\$ 1,089,868</b>	<b>\$ 2,249,776</b>
<b>Liabilities and fund equity:</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 32,192	\$ 1,182	\$ 9,992	\$ 43,366
Payroll and related liabilities	3,462	783	-	4,245
Due to other funds	-	-	-	-
Due to others	2,905	40,175	-	43,080
<b>Total current liabilities</b>	<b>38,559</b>	<b>42,140</b>	<b>9,992</b>	<b>90,691</b>
<b>Long-Term Liabilities:</b>				
Compensated absences	7,985	6,534	-	14,519
<b>Total long-term liabilities</b>	<b>7,985</b>	<b>6,534</b>	<b>-</b>	<b>14,519</b>
<b>Fund Balances:</b>				
<b>Reserved For:</b>				
Refund of sales tax collections	-	40,175	-	40,175
Debt Service	-	-	349,205	349,205
<b>Unreserved, Reported In:</b>				
General Fund	273,654	-	-	273,654
Special Revenue Funds	-	750,861	730,671	1,481,532
Capital Project Funds	-	-	-	-
<b>Total fund equity</b>	<b>273,654</b>	<b>791,036</b>	<b>1,079,876</b>	<b>2,144,566</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 320,198</b>	<b>\$ 839,710</b>	<b>\$ 1,089,868</b>	<b>\$ 2,249,776</b>

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF OAKGROVE  
OAK GROVE, LOUISIANA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE GOVERNMENT-WIDE  
FINANCIAL STATEMENT OF NET ASSETS  
JUNE 30, 2005

*Amounts reported for governmental activities  
in the statement of net assets are different because:*

Total Governmental Fund Balances	\$	2,144,566
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,521,106
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(2,050,000)</u>
Net Assets of Governmental Activities	\$	<u>2,615,672</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
<b>Taxes:</b>				
Ad valorem	\$ 81,131	\$ -	\$ 76,382	\$ 157,513
Sales tax		478,220		478,220
<b>Intergovernmental revenues:</b>				
<b>State funds:</b>				
Grants	27,700	-	156,590	184,290
Fees, charges and commissions for services	228,351	-	4,600	232,951
Lease income	2,479	-	29,400	31,879
Use of money and property interest earnings and rents	4,922	13,609	12,855	31,386
Other revenues	6,360	209	15,771	22,340
<b>Total revenues</b>	<u>350,943</u>	<u>492,038</u>	<u>295,598</u>	<u>1,138,579</u>
<b>Expenditures:</b>				
<b>General government:</b>				
Finance and administrative	36,747	86,367	-	123,114
Other general government	101,067	184,681	-	285,748
Public safety	244,323	-	-	244,323
Public works	5,604	-	69,380	74,984
Health and welfare	-	-	-	-
Operating services	-	-	1,088	1,088
Culture and recreation	-	-	4,485	4,485
Capital Outlay	3,022	-	203,826	206,848
<b>Debt Service:</b>				
Principle Payments	-	-	110,000	110,000
Interest and other	-	-	102,458	102,458
<b>Total expenditures</b>	<u>390,763</u>	<u>271,048</u>	<u>491,237</u>	<u>1,153,048</u>
Excess (deficiency) of revenues over expenditures	<u>(39,820)</u>	<u>220,990</u>	<u>(195,639)</u>	<u>(14,469)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	35,000	-	387,153	422,153
Operating transfers out		(251,401)	(170,752)	(422,153)
Proceeds from sale of assets	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>35,000</u>	<u>(251,401)</u>	<u>216,401</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(4,820)	(30,411)	20,762	(14,469)
Fund balances, beginning	282,171	821,447	1,059,114	2,162,732
Prior period adjustment	(3,697)	-	-	(3,697)
<b>Fund balances, ending</b>	<u>\$ 273,654</u>	<u>\$ 791,036</u>	<u>\$ 1,079,876</u>	<u>\$ 2,144,566</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

*Amounts reported for governmental activities  
in the statements of activities are different because:*

Net Change in Fund Balances - Total Governmental Funds	\$	(14,469)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		206,848
Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long-term debt liabilities in the statement of net assets.		<u>110,000</u>
Change in Net Assets in Governmental Activities	\$	<u>302,379</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND-WATER AND SEWER FUND  
JUNE 30, 2005

ASSETS		
Cash and cash equivalents		\$ 312,353
Cash-restricted		164,568
Accounts receivable		39,104
Inventory		10,989
Due from other governments		-
Capital Assets:		
Non-depreciable		10,756
Depreciable		3,413,435
	TOTAL ASSETS	<u>\$3,951,205</u>
LIABILITIES		
Current Liabilities		
Accounts payable		\$ 19,607
Payroll and related liabilities		1,888
Due to others		48,699
	Total Current Liabilities	<u>70,194</u>
Non-Current Liabilities		
Due Within One Year		
Bonds Payable		59,941
Interest Payable		9,914
Due in More Than One Year		
Bonds Payable		563,808
Payroll and related liabilities		10,641
	Total Non-Current Liabilities	<u>644,304</u>
	TOTAL LIABILITIES	<u>714,498</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		2,800,442
Unreserved, Reported In: General Fund		436,265
	Total Net Assets	<u>3,236,707</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$3,951,205</u>

The Notes to the Basic Financial Statements are an integral part of this statement.



TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND - WATER AND SEWER FUND  
FOR THE YEAR ENDED JUNE 30, 2005

Revenues:	
Water and sewer revenue	\$ 443,212
Fees, charges and commission for services	3,605
Use of money and property interest earnings and rents	5,400
Other revenues	6,977
Total revenues	<u>459,194</u>
Expenditures:	
Health and welfare	378,728
Capital Outlay	607
Depreciation expense	143,756
Debt Service:	
Interest	31,116
Total expenditures	<u>554,207</u>
Excess (deficiency) of revenues over expenditures	(95,013)
Fund balances, beginning	3,323,076
Prior period adjustments	(3,431)
Reclassifications	12,075
Fund balances, ending	<u>\$ 3,236,707</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF OAK GROVE, LOUISIANA  
OAK GROVE, LOUISIANA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - WATER AND SEWER  
JUNE 30 2005

**Cash Flows From Operating Activities:**

Cash received from customers	\$ 443,212
Cash payments to suppliers for goods and services	(194,599)
Cash payments to employees and professional: contractors for services	(155,304)
Other operating revenues	10,582
Net cash provided (used) by operating activities	103,891

**Cash flows from capital and related financing activities:**

Acquisition and construction of capital assets	(123)
Principal paid on bonds, notes and lease obligations	(28,825)
Interest paid on bonds, notes and lease obligations	(31,116)
Prior period adjustment in depreciation	3,431
Reclassification	(12,075)
Net cash provided (used) by capital and related financing activities	(68,708)

**Cash flows from investing activities:**

Investment income	5,400
Net cash provided (used) by investing activities	5,400
Net increase (decrease) in cash and cash equivalents	40,583
Cash and cash equivalents at July 1, 2004	436,338
Cash and cash equivalents at June 30, 2005	\$ 476,921

<b>Cash and cash equivalents</b>	\$ 312,353
<b>Restricted assets</b>	164,568
	\$ 476,921

TOWN OF OAK GROVE, LOUISIANA  
OAK GROVE, LOUISIANA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - WATER AND SEWER  
JUNE 30 2005

**Reconciliation of Operating Income (Loss) to Net Cash**

Provided by Operating Activities:	
Operating Income (Loss)	\$ (95,013)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided by Operating Activities:	
Depreciation and Amortization	143,756
Non-cash operating revenue (expenses)	(75,201)
Non-operating revenue (expenses)	(26,323)
Changes in Assets and Liabilities:	
Increase (Decrease)Accounts Receivable and Unbilled Revenues	5,027
(Increase) Decrease in Inventories	(188)
(Increase) Decrease in Plant Operation Assets	134,268
(Increase) Decrease in Prepaid expenses	-
Increase (Decrease) in Other Assets	
Increase (Decrease) in Accounts Payable	15,787
Increase (Decrease) in Accrued Liabilities	-
Increase (Decrease) Accrued Compensated Absences	(641)
(Increase ) Decrease in Other adjustments (interest)	2,419
Total Adjustments	<u>\$ 198,904</u>
Net Cash Provided by Operating Activities	<u>\$ 103,891</u>

**Supplementary Information:**

Total interest paid	<u>\$ 31,116</u>
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**OAK GROVE, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

The Town complies with accounting principles generally accepted in the United States Of America (GAAP). GAAP includes all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting framework and the more significant accounting policies are discussed in subsequent sections of this note.

**A. FINANCIAL REPORTING ENTITY - BASIS OF PRESENTATION**

The Town of Oak Grove, Louisiana, was incorporated January 4, 1966, under the provisions of The Home Rule Charter as provided by State Law Reference L.R.S. 33:1381-1390. A copy of the ratified charter is recorded in Charter Book "B" at page 401, of the records of West Carroll Parish, Louisiana. At June 30, 2004, the Town had a population of 2,174. The citizens elect the Mayor, who is the executive officer, and the five Council members. The Council elects the Mayor Pro-Tem.

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 the 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.

**B. FUNDS**

The accounts of the Town are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Government resources are allocated to and accounted for in individual funds based on the purpose 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, as follows:

**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:

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**B. FUNDS (Con't)**

General Fund - the general operating fund of the Town of Oak Grove 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 those long-term obligations.

Capital Projects Fund - accounts for resources restricted to use for the acquisition or construction of capital facilities.

**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 for the Town include:

**Enterprise Fund - Business-Type Activities**

The 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.

Activities accounted for in the Town's proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd.)**

**Program Revenues**

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

**Allocation of Indirect Expenses**

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Fund Financial Statements (FFS)**

**Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e. when they are "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 pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principle and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgements are reported in a governmental fund only if the claims are due and payable.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. 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, 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 ad valorem taxes are budgeted in the year they are 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, 2005, taxes of 18.23 mills were levied on property with assessed valuations totaling \$ 8,692,872, and were deducted as follows:

General corporate purposes	9.39 mills
Street Maintenance	6.32 mills
Cemetery	2.52 mills

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd.)**

**Revenues (cont'd.)**

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.

Sales taxes are recognized when the underlying exchange transaction occurs and the resources are available.

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

Other receipts become measurable and available when cash is received by the Town and are recognized as revenue at that time.

**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.

**Other Financing Sources (Uses)**

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

**Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**D. 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 head/function 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, Capital Projects, and Special Revenue Funds are adopted on the cash/expenditures/expenses basis.
6. Appropriations lapse at the end of each fiscal year.
7. The Mayor and Council Members may authorize supplemental appropriations during the year.

**E. 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. Some of the cash and cash equivalents are restricted. Cash deposits are reported at carrying amount which reasonably approximates fair value.

**F. INVESTMENTS**

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



**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**H. ELIMINATION AND RECLASSIFICATIONS**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**I. INVENTORY**

Inventory is accounted for using the consumption method, where expenditures are recognized as inventory is used. All purchased inventory items are valued at cost (first-in, first-out).

**J. CAPITAL ASSETS**

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$200. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Land	N/A
Buildings	10-50
Improvements other than buildings	10-50
Infrastructure	40
Computers and computer equipment	5-10
Furniture and equipment	5-20
Vehicles	5-7

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**K. COMPENSATED ABSENCES**

An employee must have been in the service of the Town for at least one year to be eligible for annual leave. Employees' vacations are determined by length of service with the Town according to the following: one-two years, one week; two-ten years, two weeks and more than ten years, three weeks. Employees may not carry over or accumulate annual leave from one year to another. After one year, employees are entitled to three hardship days to be approved by the department head and the mayor.

Leave from work with pay may be charged as sick leave if the absence is due to sickness, bodily injury, quarantine, required physical or dental examinations or treatment, exposure to a contagious disease when continued work might jeopardize the health of others, illness in the employee's immediate family. Employees are entitled to sick leave when they have worked full-time for the Town for six months and their six-month probationary period has expired. Each employee earns sick leave at the rate of one day for each month worked. An employee cannot accumulate more than 30 days sick leave and all accumulated sick leave is forfeited upon termination of employment.

A municipal employee called for jury duty or as a witness for the federal or state governments or a subdivision thereof, is entitled to leave with pay for such duty during the required absence. A municipal employee who is a member of Reserved Military or National Guard is entitled to leave with pay for up to 15 days per year.

The Town does not provide comp time as a means of compensation.

**L. RESTRICTED NET ASSETS**

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then the unrestricted resources as they are needed.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**M. FUND EQUITY**

Reservations of fund balance represent amounts that are not appropriable for expenditure or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**N. INTERFUND ACTIVITY**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**O. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

When comparing budget to actual amounts for the year ended June 30, 2005, the following fund had unfavorable variances greater than 5%:

**Excess of Actual Expenditures over Budget Appropriations.**

The following individual fund had actual expenditures five percent or more over budgeted expenditures for the year ended June 30 2005;

	Budget	Actual	Unfavorable Variance
Sales Tax Fund	\$ 499,900	\$ 522,449	\$ (22,549)

**NOTE 3 - INVESTMENTS**

Investing is performed in accordance with investment policies complying with state statutes and the Town's charter. The investments of the Town are categorized to give an indication of the level of risk assumed by the Town at June 30, 2005. The categories are described as follows:

Category 1 - Insured or registered, with securities held by the entity or its agents in the entity's name;

Category 2 - Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counter-party, in its trust department in the entity's name.

**NOTE 4 - CASH AND CASH EQUIVALENTS**

At June 30, 2005, the Town had cash and cash equivalents totaling \$316,897, as follows:

Cash on hand	\$	225	
Demand deposits		316,672	
Certificates of deposit		2,319,295	
Total		\$ 2,636,192	

These deposits are stated at cost, which approximates market. 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 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.

At June 30, 2005, the Town had \$2,656,234 in deposits (collected bank balances). The deposits are secured by \$341,175 of federal deposit insurance (Category 1) and \$2,403,414 of pledged securities (Category 2) held by the custodial banks.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 5 - RECEIVABLES**

The following is a summary of receivables at June 30, 2005:

	<u>General</u>	<u>Sales Tax</u>	<u>Street</u>	<u>Utility Enterprise</u>	<u>Total</u>
<b>Taxes:</b>					
Franchise tax	\$ 13,589	\$ -	\$ -	\$ -	\$ 13,589
Sales	-	41,264	-	-	41,264
Rural Development Grant	25,000	-	-	-	25,000
Other	10,152	500	-	-	10,652
<b>Utilities:</b>					
Billed utilities	-	-	-	39,104	39,104
<b>Total</b>	<b>\$ 48,741</b>	<b>\$ 41,764</b>	<b>\$ -</b>	<b>\$ 39,104</b>	<b>\$ 129,609</b>

The accounts receivable in the utility enterprise fund is net of the allowance for doubtful accounts of \$4,458.

**NOTE 6 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2005, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Cost</b>				
Land	\$ 28,000	\$ 5,000	\$ -	\$ 33,000
<b>Exhaustible capital assets</b>				
Buildings	1,660	-	-	1,660
Building improvements	18,750	-	-	18,750
Other improvements	1,270	-	-	1,270
Infrastructure	2,536,545	149,716	-	2,686,261
Furniture and equipment	164,876	33,198	6,000	192,074
Vehicles	152,809	7,522	8,000	152,331
	<u>2,903,910</u>	<u>195,436</u>	<u>14,000</u>	<u>3,085,346</u>
<b>Accumulated Depreciation</b>				
Buildings	1,660	-	-	1,660
Building Improvements	5,624	1,496	-	7,120
Infrastructure	257,188	65,581	-	322,769
Furniture and equipment	114,515	9,250	-	123,765
Vehicles	94,292	14,634	-	108,926
	<u>473,279</u>	<u>90,961</u>	<u>-</u>	<u>564,240</u>
Capital assets, net	<u>\$ 2,430,631</u>	<u>\$ 104,475</u>	<u>\$ 14,000</u>	<u>\$ 2,521,106</u>

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 6 - CAPITAL ASSETS (cont'd.)**

Depreciation expense was charged to governmental activities as follows:

General Fund	\$	13,204
Cemetery Fund		765
Street Fund		76,992
Total	\$	<u>90,961</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
<b>Cost</b>				
Land	\$ 10,756	\$ -	\$ -	\$ 10,756
Exhaustible capital assets				
Buildings	1,815	-	-	1,815
Infrastructure	5,150,349	10,387	-	5,160,736
Furniture and equipment	120,577	607	-	121,184
Vehicles	95,065	-	-	95,065
	<u>\$ 5,378,562</u>	<u>\$ 10,994</u>	<u>\$ -</u>	<u>5,389,556</u>
<b>Accumulated Depreciation</b>				
Buildings	\$ 242	\$ 121	\$ -	\$ 363
Infrastructure	1,650,981	131,448	-	1,782,429
Furniture and equipment	89,705	6,969	-	96,674
Vehicles	80,680	5,219	-	85,899
	<u>1,821,608</u>	<u>143,757</u>	<u>-</u>	<u>1,965,365</u>
Capital assets net	<u>3,556,954</u>	<u>(132,763)</u>	<u>-</u>	<u>3,424,191</u>
Total capital assets, net	<u>\$ 5,987,585</u>	<u>\$ (28,288)</u>	<u>\$ 14,000</u>	<u>\$ 5,945,297</u>

(Continued)

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 7 - ACCOUNTS, SALARIES AND OTHER PAYABLES**

The payables at June 30, 2005, are as follows:

	<u>General</u>	<u>Sales Tax</u>	<u>Street Fund</u>	<u>Cemetery Fund</u>	<u>Economic Development</u>	<u>Enterprise</u>
Accounts payable	\$ 32,192	\$ 1,182	\$ 2,549	\$ 185	\$ 7,258	\$ 19,607
Compensated absences	10,634	6,797				11,639
Payroll taxes	813	520				890
Total	<u>\$ 43,639</u>	<u>8,499</u>	<u>\$ 2,549</u>	<u>\$ 185</u>	<u>\$ 7,258</u>	<u>\$ 32,136</u>

**NOTE 8 - COMPENSATED ABSENCES**

Compensated absences were used during the year in the amount of \$13,880. The balance remaining at June 30, 2005 was \$29,070.45.

**NOTE 9 - LONG TERM OBLIGATIONS**

	<u>General Obligation</u>	<u>1998 Revenue Bond</u>	<u>Total</u>
Bonds payable at July 1, 2004	\$ 2,160,000	\$ 652,575	\$ 2,812,575
New bonds issued	-	-	-
Bonds retired	110,000	28,826	138,826
Bonds payable at June 30, 2005	<u>\$ 2,050,000</u>	<u>\$ 623,749</u>	<u>\$ 2,673,749</u>

Bonds payable at June 30, 2005, are comprised of the following issues:

**General Obligation Bonds:**

\$2,550,000 State of Louisiana Sales Tax Bonds Series 99 dated June 1, 1999, due in annual installments commencing December 1, 2000 with an amount of \$90,000 and increasing in \$5,000 increments each year through 2017; interest at various rates from 4.30% to 4.70% due each year on June 1 and December 1.

\$ 2,050,000

**Revenue Bond:**

\$1,045,000 Water and Sewer Revenue Bond dated March 20, 1998, due in monthly installment \$4,995 beginning April 20 1999 through March 20, 2038; an interest only payment of \$50,944 is due March 20, 1999; interest rate is 4.875%.

	<u>623,749</u>
<b>Total</b>	<u>\$ 2,673,749</u>

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 9 - LONG TERM OBLIGATIONS (cont'd.)**

Principle on the general obligation and revenue bonds is scheduled to be repaid as follows:

**Year ending June 30,**

	<u>General Obligation</u>		<u>1998 Revenue Bonds</u>		<u>Total</u>
2006	115,000	\$	33,189	\$	148,189
2007	120,000		34,844		154,844
2008	125,000		36,581		161,581
2009	130,000		38,405		168,405
2010	135,000		40,320		175,320
Thereafter	1,425,000		380,469		1,805,469
<b>Total</b>	<b>\$ 2,050,000</b>	<b>\$</b>	<b>563,808</b>	<b>\$</b>	<b>2,613,808</b>

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

Interest expense for the period totaled \$133,573.

**NOTE 10 - LEASES**

The Town of Oak Grove is the Lessor in an operating lease with TurBan Transportation, Inc., a warehousing company, for a commercial building owned by the Town. The lease is for a term of five years, commencing July 10, 2001 and ending July 10, 2006.

According to the term of the lease, the Lessee was required to pay no monetary rental to Lessor for the period beginning July 11, 2001 through January 10, 2002. Lessee is to maintain insurance upon the premises. The rental and consideration for the period beginning January 10, 2002 through July 10, 2003, is the sum of \$1,000, plus 10% of the gross earnings of the Lessee up to a maximum of \$1,500 of said gross earnings or a total maximum rent of \$2,500. Thereafter, beginning 24 months from the date of this lease, and monthly thereafter, the lease payment will be \$1,000 per month plus 10% of the Lessee's gross earnings up to \$2,000 or a maximum total rental per month of \$3,000. The lease contains an option to extend the lease for three additional five years on the same terms and conditions as the original lease. At the end of the 2nd five year term and if applicable, the 3rd five year term, the Lessee has the option to extend the lease for an additional five years after each said period on the same terms and conditions as the original lease. Each option may be exercised by the Lessee at any time after the expiration of the first three years of the then current term of the lease so long as the Lessee is not in default under any terms of the lease. Both the lessor and lessee have agreed that if at the end of the first 24 months of the lease, the total monthly payment payable to Lessor is not equal to or greater than \$2,500 a month, either party may cancel the lease in full within 60 days after the end of the initial 24 month period of the lease or within 60 days of any month thereafter if the lease payment falls below \$2,500 per month.

On October 8, 2001 the above lease was amended, removing the maximum rent limits. Options to renew the lease remain the same including the changes resulting from the amendment.



**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 10 - LEASES (Cont'd.)**

The Town entered into a second operating lease with TurBan Transportation, Inc. April 1, 2002 and ending March 31, 2007. The Lessee is to pay the Town \$1,000 per month or 10% of the gross earnings per month, whichever sum is greater. If 10% of the gross earnings is greater than \$1,000 per month, the Lessee is to pay the Town that sum of 10% of the gross earnings. The lease allows Lessee the option to extend the lease for two additional five year terms and a final additional four year and three month term which would terminate on July 10, 2021. The Lessee may then extend the lease for an additional 5 years on the same terms and conditions as the original lease. All options to renew and extend cancel after July 20, 2021. If the lease is terminated by either party, Lessee is to provide insurance through October 31, 2004.

Minimum Lease payments until July , 2006	\$	29,700
Minimum Lease payments until March, 2007		8,200
	Total \$	37,900

**NOTE 11 - PENSION COST**

**Municipal Employees' Retirement System**

Plan Description

Substantially all full-time employees except police of the Town of Oak Grove are covered under the Municipal Employees' Retirement System of Louisiana (Plan B), a cost sharing multiple employer defined benefit plan retirement system (PERS), controlled and administered by a separate board of trustees. The System was established and provided for by R. S. 11:1731 of the Louisiana Revised Statutes (LRS). The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. 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, Hrapmann, Hogan & Maher, L.L.P., Certified Public Accountants, 1340 Poydras St., Suite 2000, New Orleans, La. 70112, or by calling (504)586-8866.

Funding Policy

Plan members are required to contribute 5% of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The rate at June 30, 2005, for the Town of Oak Grove was 9.5% 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 Employees' Retirement System Board of Trustees. The Town's contributions to the Municipal Employees' Retirement System for the years ending June 30, 2003, 2004 and 2005 were \$26,652, \$31,910 and \$29,200, respectively, equal to the required contributions for each year.

There were plan members participating in the Deferred Retirement Option Program (DROP) for this fiscal year.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 11 - PENSION COST (Cont'd.)**

**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 arrests, 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 by supplementary information for the Municipal Police Employees' Retirement System. That report may be obtained by writing to Duplantier, Hrapmann & Maher, L.L.P., Certified Public Accountants, 1340 Poydras St., Suite 2000, 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 21.5% 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, 2003, 2004 and 2005 were \$19,816, \$28,402 and \$25,771, respectively, equal to the required contributions for each year.

**NOTE 12 - CONTINGENCIES**

The Town operates the water and sewer treatment plants. These operations pose a high risk for environmental liabilities. The Town is required to have EPA permits for wastewater. The Town relies on the EPA for periodic testing and inspections to help identify environmental liabilities or contingencies.

The Town paid American Wastewater Management \$84,476 for the year ended June 30, 2005, for managing of the sewer system for the Town and insuring that they are in compliance with the EPA.

According to the Town's legal counsel, there was no litigation pending at June 30, 2005.

**NOTE 13 - RISK MANAGEMENT**

The Town is exposed to various risks of loss relating to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

(Continued)

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 14 - SUBSEQUENT EVENTS**

There were no subsequent events that would be materially significant to the fair presentation of these financial statements for the June 30, 2005 period.

**NOTE 15 - PRIOR PERIOD ADJUSTMENTS**

The prior period adjustments in the Proprietary Fund-Water and Sewer, was to increase accumulated depreciation for an understatement in depreciation expense in a prior period. Additionally, an adjustment was required to remove an asset from the depreciation schedule that was disposed of in a prior period and to adjust for discrepancies between the Town depreciation schedule of fixed assets and the prior period audit figures.

The prior period adjustment in the General Fund was an adjustment to correct the payroll account to the actual general ledger balance from prior periods.

**NOTE 16 - RECLASSIFICATIONS**

The reclassification in the Proprietary Fund-Water and Sewer was to record in the fixed assets the final expenses for the sewer improvements in the industrial park. The funds for the completion of this project were provided by other funds within the Town.

TOWN OF OAKGROVE  
OAK GROVE, LOUISIANA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflows):</b>				
Taxes:				
Ad valoren	\$ 83,000	\$ 83,000	\$ 81,131	\$ (1,869)
Fees, charges and commissions for services	214,700	218,600	228,351	9,751
Grants			27,700	
Lease income	-	-	2,479	2,479
Use of money and property, interest earnings and rents	3,500	3,500	4,922	1,422
Transfer(s) from other funds	-	-	35,000	35,000
Other revenue	4,000	31,700	6,360	(25,340)
Amounts Available for Appropriation	<u>305,200</u>	<u>336,800</u>	<u>385,943</u>	<u>21,443</u>
<b>Charges to Appropriations(Outflows):</b>				
General government:				
Finance and administrative	191,400	112,982	143,418	(30,436)
Other general government	-	-	-	-
Public safety	164,100	243,060	244,323	(1,263)
Capital outlay	-	27,700	3,022	24,678
Transfers to other funds	-	-	-	-
	<u>355,500</u>	<u>383,742</u>	<u>390,763</u>	<u>(7,021)</u>
Excess of Resources Over (Under)	(50,300)	(46,942)	(4,820)	14,422
Fund Balance at Beginning of Year	282,171	282,171	282,171	
Prior Period Adjustment			(3,697)	
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 231,871</u></u>	<u><u>\$ 235,229</u></u>	<u><u>\$ 273,654</u></u>	<u><u>\$ -</u></u>

OAK GROVE, LOUISIANA  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - SALES TAX FUND  
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows):				
Taxes:				
Sales tax	\$ 475,000	\$ 465,000	\$ 478,220	\$ 13,220
Fees, charges and commissions for services	-	-	-	-
Use of money and property, interest earnings and rents	9,500	9,500	13,609	4,109
Other revenue	-	-	209	209
Amounts Available for Appropriation	<u>484,500</u>	<u>474,500</u>	<u>492,038</u>	<u>17,538</u>
Charges to Appropriations (Outflows):				
General government:				
Other general government	298,000	283,500	271,048	12,452
Capital outlay	-	-	-	-
Transfers to other funds	211,828	216,400	251,401	(35,001)
Total Charges to Appropriations	<u>509,828</u>	<u>499,900</u>	<u>522,449</u>	<u>(22,549)</u>
Excess of Resources Over (Under)	<u>(25,328)</u>	<u>(25,400)</u>	<u>(30,411)</u>	<u>(5,011)</u>
Fund Balance at Beginning of Year	821,447	821,447	821,447	-
Prior Period Adjustment	-	-	-	-
FUND BALANCE AT END OF YEAR	<u>\$ 796,119</u>	<u>\$ 796,047</u>	<u>\$ 791,036</u>	<u>\$ -</u>

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
SCHEDULE OF COMPENSATION  
PAID TO MAYOR AND TOWN COUNCIL  
JUNE 30, 2005

<u>Council Member</u>	<u>Compensation</u>
Lavelle Brown, Mayor	\$ 18,000
Kent Elkins	1,800
Debra Hawthorne	1,200
Jim Holland	1,200
Robert McFarlin	1,200
W. B. Russell	<u>1,200</u>
	<u>\$ 24,600</u>

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NON-MAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2005

	Street Fund	Cemetery Fund	Economic Development Fund	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 163,170	\$ 224,849	\$ 352,644	\$ 740,663
Investments	-	-	-	-
Receivables	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 163,170</b>	<b>\$ 224,849</b>	<b>\$ 352,644</b>	<b>\$ 740,663</b>
<b>Liabilities and fund equity:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 2,549	\$ 185	\$ 7,258	\$ 9,992
Bank Overdraft	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>2,549</b>	<b>185</b>	<b>7,258</b>	<b>9,992</b>
<b>Fund equity:</b>				
<b>Fund balances:</b>				
Reserved	-	-	-	-
<b>Unreserved:</b>				
Designated for equipment replacement	-	-	-	-
Undesignated	160,621	224,664	345,386	730,671
<b>Total fund equity</b>	<b>160,621</b>	<b>224,664</b>	<b>345,386</b>	<b>730,671</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 163,170</b>	<b>\$ 224,849</b>	<b>\$ 352,644</b>	<b>\$ 740,663</b>

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NON-MAJOR SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005

	Street Fund	Cemetery Fund	Economic Development Fund	Total
<b>Revenues:</b>				
Taxes:				
Ad valorem	\$ 54,608	\$ 21,774	\$ -	\$ 76,382
Intergovernmental revenues:				
State funds:				
Grants	\$ 25,000			25,000
Fees and charges for services	-	4,600	-	4,600
Operating lease income	-	-	29,400	29,400
Use of money and property interest earnings and rents	1,594	2,847	4,653	9,094
Other revenues	13,000	2,771	-	15,771
<b>Total revenues</b>	<b>94,202</b>	<b>31,992</b>	<b>34,053</b>	<b>160,247</b>
<b>Expenditures:</b>				
Public works	49,040	16,533	1,075	66,648
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Other	-	657	3,828	4,485
Capital outlay	38,000	2,198	5,000	45,198
<b>Total expenditures</b>	<b>87,040</b>	<b>19,388</b>	<b>9,903</b>	<b>116,331</b>
Excess (deficiency) of revenues over expenditures	7,162	12,604	24,150	43,916
<b>Other financing sources (uses):</b>				
Operating transfers in	37,523	-	40,279	77,802
Operating transfers out	(42,950)	-	(50,000)	(92,950)
<b>Total other financing sources (uses)</b>	<b>(5,427)</b>	<b>-</b>	<b>(9,721)</b>	<b>(15,148)</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,735	12,604	14,429	28,768
Fund balances, beginning	158,886	212,060	330,957	701,903
Prior period adjustments	-	-	-	-
<b>Fund balances, ending</b>	<b>\$ 160,621</b>	<b>\$ 224,664</b>	<b>\$ 345,386</b>	<b>\$ 730,671</b>



TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NON-MAJOR CAPITAL PROJECTS FUND  
COMBINING BALANCE SHEET  
JUNE 30, 2005

	Sidewalk and Street Lighting Fund	Sewer Improvements Fund	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Receivables	-	-	-
Grant receivable	-	-	-
Due from other governments	-	-	-
	-	-	-
<b>TOTAL ASSETS</b>	\$ -	\$ -	\$ -
<b>Liabilities and fund equity:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
	-	-	-
<b>Total liabilities</b>	-	-	-
<b>Fund equity:</b>			
<b>Fund balances:</b>			
<b>Unreserved:</b>			
Designated for future expenditures	-	-	-
	-	-	-
<b>Total fund equity</b>	-	-	-
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	\$ -	\$ -	\$ -

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
NON-MAJOR CAPITAL PROJECT FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005

	Sidewalk and Street Lighting Fund	Sewer Improvements Fund	Total
Revenues:			
Grants	\$ 131,590	\$ -	\$ 131,590
Other taxes, penalties and interest, etc.	-	-	-
Use of money and property - interest and rent	-	17	17
Other revenues - donations	-	-	-
<b>Total revenues</b>	<b>131,590</b>	<b>17</b>	<b>131,607</b>
Expenditures:			
Governmental:			
Public Works	2,732	-	2,732
Capital outlay	138,484	20,144	158,628
<b>Total expenditures</b>	<b>141,216</b>	<b>20,144</b>	<b>161,360</b>
Excess (deficiency) of revenues over expenditures	(9,626)	(20,127)	(29,753)
Other financing sources (uses):			
Operating transfers in	42,955	50,000	92,955
Operating transfers out	(37,523)	(40,279)	(77,802)
<b>Total other financing sources (uses)</b>	<b>5,432</b>	<b>9,721</b>	<b>15,153</b>
Excess (deficiency) of revenues and other and other sources over expenditures and other uses	(4,194)	(10,406)	(14,600)
Fund balance, beginning	4,194	10,406	14,600
Fund balance, ending	\$ -	\$ -	\$ -

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

**SUMMARY OF AUDITOR'S RESULTS**

1. My auditor's report expresses an unqualified opinion on the general purpose financial statements of the Town of Oak Grove, Louisiana.
2. Two instances of noncompliance material to the financial statements of the Town of Oak Grove, Louisiana, is reported in the Independent Auditor's Report on Compliance and On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards.
3. There were no major federal awards.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**1. Criteria:**

A. La Rev. Stat. 39:1310. Budgetary authority and control. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer shall advise the governing authority or independently elected official in writing when:

- (1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.
- (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.

B. The written notification as required by this Section as well as any responsive action taken by the governing authority or independently elected official shall be transmitted to and retained by the chief executive or administrative officer. The written notification as required by this Section and the resulting budget amendment shall only be statutorily required for a special revenue fund with anticipated expenditures that equal or exceed two hundred fifty thousand dollars. Furthermore, only the written notification of Paragraph A(2) of this Section shall be required for special revenue funds whose revenues are expenditure driven.

**Recommendation:**

I recommended to the Town that they more closely monitor their budget to actual income and expenditures. If, at anytime during the fiscal year they encounter one of the criterion listed above, that they take the required action.

**Response:**

Management has advised that it will take steps to follow my recommendations and remedy this finding.

(Continued)

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

**FINDINGS - FINANCIAL STATEMENT AUDIT (Cont'd.)**

**2. Criteria:**

. La. Rev. Stat. 39:1225 Security for deposits; amount of security. The amount of the security shall at all times be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

La. Rev. Stat. 39:1225. Additional security, failure to provide. If the security required under the provisions of R.S. 39:1231 R.S. 39:1223, R.S. 39:1223 or R.S. 39:1225 is not furnished by a fiscal agency or depository bank, the depositing authority may require such additional or other security as shall bring the total to the required amount.

**Recommendation:**

I recommended that the Town more closely monitor the reports sent from the banks regarding the collateral pledged to secure the Town's deposits to insure that the public funds are adequately protected. The bank made an error causing some of the Town's deposits to be coded to a category that caused a shortfall in collateral. An official at the bank has assured the Town Clerk that she will see that reports are sent that are more useable in monitoring the adequacy of collateral in the future.

**Response:**

Management has advised that it will take steps to follow my recommendations and remedy this finding.

**MANAGEMENT LETTER**

There was no management letter issued.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**1. Criteria:**

A. La Rev. Stat. 39:1310. Budgetary authority and control. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer shall advise the governing authority or independently elected official in writing when:

(1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

(2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.

(3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.

B. The written notification as required by this Section as well as any responsive action taken by the governing authority or independently elected official shall be transmitted to and retained by the chief executive or administrative officer. The written notification as required by this Section and the resulting budget amendment shall only be statutorily required for a special revenue fund with anticipated expenditures that equal or exceed two hundred fifty thousand dollars. Furthermore, only the written notification of Paragraph A(2) of this Section shall be required for special revenue funds whose revenues are expenditure driven.

**Not resolved 2004-05**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
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 financial statements of the governmental activities, the business-type activities, the aggregate each major fund, and the aggregate remaining fund information of the Town of Oak Grove, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the Town of Oak Grove, Louisiana's basic financial statements and have issued my report thereon dated November 15, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting:**

In planning and performing my audit, I considered the Town of Oak Grove, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment could adversely affect the Town of Oak Grove, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1 and 2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

**Compliance:**

As part of obtaining reasonable assurance about whether the Town of Oak Grove, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 1 and 2.

This report is intended solely for the information and use of the audit committee, management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**DARLA S. TURNER**  
**CERTIFIED PUBLIC ACCOUNTANT**

**Monroe, Louisiana**  
**November 15, 2005**