

RECEIVED
FILE COPY
DO NOT REMOVE
(When necessary
copy from this
copy and PLACE
BACK IN FILE)

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
JUNE 30, 2006

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 1-24-07

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

**TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2006**

| | Page |
|---|-------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 2-4 |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 5 |
| Statement of Activities | 6 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 7 |
| Reconciliation of The Governmental Funds Balance Sheet to The Government-Wide Financial Statement of Net Assets | 8 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 9 |
| Reconciliation of The Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to The Statement of Activities | 10 |
| Statement of Net Assets - Proprietary Fund - Water and Sewer Fund | 11 |
| Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund - Water and Sewer Fund | 12 |
| Statement of Cash Flows - Proprietary Fund - Water and Sewer Fund | 13 |
| Notes to Financial Statements | 14-30 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedules: | |
| General Fund | 31 |
| Special Revenue Fund - Sales Tax Fund | 32 |
| Special Revenue Fund - Economic Development Fund | 33 |
| OTHER SUPPLEMENTARY INFORMATION | |
| Non-major Governmental Funds: | |
| Combining Balance Sheet | 34 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 35 |
| Schedule of Compensation Paid Commissioners | 36 |
| OTHER REPORTS | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i> | 37-38 |
| Schedule of Findings and Questioned Costs | 39-41 |
| Status of Prior Audit Findings | 42 |
| Management Letter | 43-45 |



Hulse, Harwood & Co.

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We 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, 2006, 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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. We believe that our audit provides a reasonable basis for our opinions.

In our 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, 2006, and the respective changes in financial position and, where applicable, cash flows 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 2 through 4 and 34 through 35, 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. We 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, we did not audit the information and express no opinion on it.

Our 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 combining 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 non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HULSEY, HARWOOD & CO., CPAs
A Professional Accounting Corporation

Hulse, Harwood & Co.

December 8, 2006

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2006

Our discussion and analysis of the Town provides an overview of the Town's activities for the year ended June 30, 2006. 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, is a measure of 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

At June 30, 2006 Net Assets were as follows:

NET ASSETS

| | 2006 | 2005 (Restated) |
|---|---------------------|---------------------|
| Current and other assets | \$ 2,903,746 | \$ 2,776,790 |
| Capital assets (net) | 5,943,192 | 6,106,325 |
| Total assets | <u>8,846,938</u> | <u>8,883,115</u> |
| Liabilities: | | |
| Current | 250,710 | 305,565 |
| Long-term | 2,390,724 | 2,520,932 |
| Total liabilities | <u>2,641,434</u> | <u>2,826,497</u> |
| Net assets: | | |
| Invested in capital assets, net of debt | 3,455,232 | 3,261,634 |
| Restricted | 559,803 | 547,705 |
| Unrestricted | 2,190,469 | 2,228,933 |
| Total net assets | <u>\$ 6,205,504</u> | <u>\$ 6,038,272</u> |

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis
As of and for the Year Ended June 30, 2006

For the year ended June 30, 2006, Net Assets changed as follows:

| | <u>2006</u> | <u>2005 Restated</u> |
|------------------------------------|---------------------|--------------------------|
| CHANGE IN NET ASSETS | | |
| Program revenues: | | |
| Charges for services | \$ 531,865 | \$ 468,260 |
| Operating grants and contributions | - | 2,700 |
| Capital grants and contributions | 8,410 | 184,290 |
| General revenues: | | |
| Property taxes | 161,076 | 157,513 |
| Sales taxes | 585,017 | 478,220 |
| Other taxes | 217,359 | 197,371 |
| Other | <u>123,398</u> | <u>109,419</u> |
| Total revenues | <u>1,627,125</u> | <u>1,597,773</u> |
| Expenses: | | |
| General government | 470,502 | 409,950 |
| Public safety | 162,782 | 244,323 |
| Highways and streets | 194,777 | 79,469 |
| Interest expense | 95,629 | 102,458 |
| Water and sewer | <u>548,597</u> | <u>554,207</u> |
| Total expenses | <u>1,472,287</u> | <u>1,390,407</u> |
| Change in net assets | 154,838 | 207,366 |
| Beginning net assets | <u>6,050,666</u> | <u>5,830,906</u> |
| Ending net assets | <u>\$ 6,205,504</u> | <u>\$ 6,038,272</u> |

BUDGETARY HIGHLIGHTS

During the year in the General Fund, there was a \$114,203 increase in anticipated revenues. It was mainly due to the following: A transfer of \$24,000 was made from the Economic Development Fund into the General Fund. Beginning this fiscal year the \$2,450 monthly lease payments (\$29,400) from TurBan Transportation were placed in the General Fund for general operating expenses, whereas, in previous years it was deposited in the Economic Development Fund. The building permit for the Wal-Mart Superstore was \$12,000. The Town received an increase of 2-3% on savings. The employer's share of police retirement decreased from 21.50% in FY 2004-05 to 16.25% in FY 2005-06. Court Costs and Fines were up approximately \$10,000 from previous year. There was a \$42,068 increase in appropriations because a full-time police officer was hired in lieu of using a part time officer who had no benefits. There was an increase in fuel costs for all town vehicles.

During the year in the Sales Tax Fund, there was a \$13,200 increase in anticipated revenues because of additional spending by hurricane evacuees and improvement in the overall economy and sales taxes on materials and equipment to build Super Wal-Mart (cost \$6,149,000) and other new construction in town. There was a \$29,696 increase in appropriations because of a \$25,000 forgiven debt to the General Fund and increase in overall expenses. Actual revenues exceeded budgeted amounts by \$32,531 due to underestimating sales taxes. Actual expenditures were \$14,719 less than budgeted.

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis
As of and for the Year Ended June 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the Town's investment in capital assets for its governmental and business-type activities amounts to \$5,943,192 (net of accumulated depreciation). This investment includes buildings and improvements, vehicles, machinery, equipment and land.

This year's additions of \$77,104 include a backhoe, street-lighting improvements and minor furniture and equipment.

Debt

At year end, the Town had a total of \$1,935,000 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 Town also has outstanding Water and Sewer Revenue Bonds totaling \$968,584, payable in monthly installments of \$4,995 through March 20, 2038 and bearing interest at 4.875%.

In addition, the Town had a total liability of \$33,266 for compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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 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.

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006**

| ASSETS | Primary Government | | |
|---|------------------------------------|-------------------------------------|----------------------------|
| | Governmental Activities | Business-type Activities | Total |
| Cash and cash equivalents | \$ 1,892,146 | \$ 274,746 | \$ 2,166,892 |
| Cash and cash equivalents - restricted | 360,730 | 199,073 | 559,803 |
| Receivables | 118,299 | 42,816 | 161,115 |
| Inventories | - | 9,150 | 9,150 |
| Prepaid expenses | - | 6,786 | 6,786 |
| Capital assets not being depreciated | 34,270 | 10,756 | 45,026 |
| Capital assets net of accumulated depreciation | <u>2,620,995</u> | <u>3,277,171</u> | <u>5,898,166</u> |
| TOTAL ASSETS | <u>5,026,440</u> | <u>3,820,498</u> | <u>8,846,938</u> |
| LIABILITIES | | | |
| Accounts payable | 8,252 | 4,340 | 12,592 |
| Payroll and related liabilities | 1,986 | - | 1,986 |
| Accrued liabilities | - | 13,780 | 13,780 |
| Customer deposits payable | - | 51,831 | 51,831 |
| Due to others | 2,775 | - | 2,775 |
| Due within one year | 124,053 | 43,693 | 167,746 |
| Due in more than one year | <u>1,832,619</u> | <u>558,105</u> | <u>2,390,724</u> |
| TOTAL LIABILITIES | <u>1,969,685</u> | <u>671,749</u> | <u>2,641,434</u> |
| NET ASSETS | | | |
| Investment in capital assets, net of related debt | 719,875 | 2,735,357 | 3,455,232 |
| Restricted for debt service | 360,730 | 199,073 | 559,803 |
| Unrestricted | <u>1,976,150</u> | <u>214,319</u> | <u>2,190,469</u> |
| TOTAL NET ASSETS | <u>\$ 3,056,755</u> | <u>\$ 3,148,749</u> | <u>\$ 6,205,504</u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | | GOVERNMENTAL BUSINESS-TYPE ACTIVITIES | TOTAL |
|--|---------------------|----------------------|-------------------------|----------------------------------|---------------------------------------|---------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | | |
| Governmental activities: | | | | | | |
| General government | \$ 470,502 | \$ 54,137 | \$ - | \$ - | \$ (416,365) | \$ (416,365) |
| Public safety | 162,782 | 23,283 | - | - | (139,499) | (139,499) |
| Highways and streets | 194,777 | - | - | 8,410 | (186,367) | (186,367) |
| Interest expense | 95,629 | - | - | - | (95,629) | (95,629) |
| Total governmental activities | <u>923,690</u> | <u>77,420</u> | <u>-</u> | <u>8,410</u> | <u>(837,860)</u> | <u>(837,860)</u> |
| Business-type activities: | | | | | | |
| Water and sewer | 548,597 | 454,445 | - | - | - | \$ (94,152) |
| Total business-type activities | <u>548,597</u> | <u>454,445</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(94,152)</u> |
| Total primary government | <u>\$ 1,472,287</u> | <u>\$ 531,865</u> | <u>\$ -</u> | <u>\$ 8,410</u> | <u>(837,860)</u> | <u>(932,012)</u> |
| General revenues: | | | | | | |
| Property taxes | | | | | 161,076 | 161,076 |
| Sales and use taxes | | | | | 585,017 | 585,017 |
| Franchise taxes | | | | | 76,078 | 76,078 |
| Licenses and permits | | | | | 140,883 | 140,883 |
| Other taxes, penalties and interest | | | | | 398 | 398 |
| Unrestricted investment earnings | | | | | 56,720 | 56,720 |
| Gain on sale of capital assets | | | | | 51,392 | 51,392 |
| Other | | | | | 3,140 | 3,140 |
| Total general revenues and transfers | | | | | <u>1,074,704</u> | <u>1,074,704</u> |
| Change in net assets | | | | | 236,844 | 154,838 |
| Net assets at beginning of year (restated) | | | | | 2,819,911 | 6,050,666 |
| Net assets at end of year | | | | | <u>\$ 3,056,755</u> | <u>\$ 6,205,504</u> |

The accompanying notes are an integral part of these financial statements.

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

**BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006**

| ASSETS | General | Sales Tax | Economic Development | Debt Service | Other | | Total |
|--|------------------|-------------------|-------------------------|-------------------|-----------------------|-----------------------|-------|
| | | | | | Governmental Funds | Governmental Funds | |
| Cash and cash equivalents | \$334,979 | \$ 805,485 | \$ 365,787 | \$ - | \$ 385,896 | \$ 1,892,147 | |
| Cash and cash equivalents - restricted | - | - | - | 360,730 | - | 360,730 | |
| Accounts receivable | 15,131 | 103,168 | - | - | - | 118,299 | |
| Due from other funds | 572 | 5 | - | - | - | 577 | |
| TOTAL ASSETS | \$350,682 | \$ 908,658 | \$ 365,787 | \$ 360,730 | \$ 385,896 | \$ 2,371,753 | |

LIABILITIES AND FUND BALANCES

Liabilities:

| | | | | | | |
|--|------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Accounts payable | \$ 5,445 | \$ 177 | \$ - | \$ - | \$ 2,630 | \$ 8,252 |
| Payroll and related liabilities | 1,986 | - | - | - | - | 1,986 |
| Unearned revenue | - | 54,333 | - | - | - | 54,333 |
| Due to other funds | - | - | - | - | 577 | 577 |
| Due to others | 2,775 | - | - | - | - | 2,775 |
| Total liabilities | 10,206 | 54,510 | - | - | 3,207 | 67,923 |
| Fund balances: | | | | | | |
| Reserved for debt service | - | - | - | 360,730 | - | 360,730 |
| Unreserved - undesignated | 340,476 | 854,148 | 365,787 | - | 382,689 | 1,943,100 |
| Total fund balances | 340,476 | 854,148 | 365,787 | 360,730 | 382,689 | 2,303,830 |
| TOTAL LIABILITIES AND FUND BALANCES | \$350,682 | \$ 908,658 | \$ 365,787 | \$ 360,730 | \$ 385,896 | \$ 2,371,753 |

The accompanying notes are an integral part of these financial statements.

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE FINANCIAL STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

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

| | |
|--|----------------------------|
| Total fund balances | \$ 2,303,830 |
| Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds. | 2,655,265 |
| Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 54,333 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | <u>(1,956,673)</u> |
| Net assets of governmental activities | <u>\$ 3,056,755</u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

| | General Fund | Sales Tax Fund | Economic Development Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|-------------------|---------------------------|-------------------|--------------------------|--------------------------|
| Revenues: | | | | | | |
| Property taxes | \$ 83,046 | \$ - | \$ - | \$ - | \$ 78,030 | \$ 161,076 |
| Sales and use taxes | - | 530,683 | - | - | - | 530,683 |
| Franchise taxes | 76,078 | - | - | - | - | 76,078 |
| Other taxes, penalties and interest | 398 | - | - | - | - | 398 |
| Licenses and permits | 140,883 | - | - | - | - | 140,883 |
| Intergovernmental revenues | - | - | - | - | 8,410 | 8,410 |
| Charges for services | 15,156 | - | - | - | 4,725 | 19,881 |
| Fines | 23,283 | - | - | - | - | 23,283 |
| Lease income | 34,256 | - | - | - | - | 34,256 |
| Interest earned | 7,318 | 20,431 | 10,790 | 10,326 | 7,855 | 56,720 |
| Other revenues | 2,178 | 967 | - | - | - | 3,145 |
| Total revenues | <u>382,596</u> | <u>552,081</u> | <u>10,790</u> | <u>10,326</u> | <u>99,020</u> | <u>1,054,813</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 183,774 | 262,939 | 2,632 | - | - | 449,345 |
| Public safety | 162,782 | - | - | - | - | 162,782 |
| Highways and streets | 572 | 7,594 | 13,467 | - | 81,711 | 103,344 |
| Debt service - principle | - | - | - | 115,000 | - | 115,000 |
| Debt service - interest | - | - | - | 95,629 | - | 95,629 |
| Capital outlay | 3,094 | 47,635 | - | - | 26,375 | 77,104 |
| Total expenditures | <u>350,222</u> | <u>318,168</u> | <u>16,099</u> | <u>210,629</u> | <u>108,086</u> | <u>1,003,204</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>32,374</u> | <u>233,913</u> | <u>(5,309)</u> | <u>(200,303)</u> | <u>(9,066)</u> | <u>51,609</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | 24,000 | - | - | 211,828 | 6,465 | 242,293 |
| Transfers out | - | (218,293) | (24,000) | - | - | (242,293) |
| Gain (loss) on sale of capital assets | 1,682 | - | 49,710 | - | - | 51,392 |
| Total other financing sources and uses | <u>25,682</u> | <u>(218,293)</u> | <u>25,710</u> | <u>211,828</u> | <u>6,465</u> | <u>51,392</u> |
| Net change in fund balances | <u>58,056</u> | <u>15,620</u> | <u>20,401</u> | <u>11,525</u> | <u>(2,601)</u> | <u>103,001</u> |
| Fund balances - beginning | <u>282,420</u> | <u>838,528</u> | <u>345,386</u> | <u>349,205</u> | <u>385,290</u> | <u>2,200,829</u> |
| Fund balances - ending | <u>\$ 340,476</u> | <u>\$ 854,148</u> | <u>\$ 365,787</u> | <u>\$ 360,730</u> | <u>\$ 382,689</u> | <u>\$ 2,303,830</u> |

The accompanying notes are an integral part of these financial statements.

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE FINANCIAL STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

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

Net change in fund balances - total governmental funds **\$ 103,001**

Governmental funds report capital outlays 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. This is the amount by which depreciation expenses exceeded capital outlays in the current period. **(29,376)**

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. **54,333**

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. **115,000**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. **(6,114)**

Change in net assets of governmental activities **\$ 236,844**

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2006**

ASSETS

Current assets:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 274,746 |
| Receivables | 42,816 |
| Inventories | 9,150 |
| Total current assets | <u>326,712</u> |

Noncurrent assets:

| | |
|--|-----------|
| Cash and cash equivalents - restricted | 199,073 |
| Capital assets net of depreciation | 3,287,927 |
| Prepaid expenses | 6,786 |

| | |
|---------------------|-------------------------|
| TOTAL ASSETS | <u>3,820,498</u> |
|---------------------|-------------------------|

LIABILITIES

Current liabilities:

| | |
|--|----------------|
| Accounts payable | 4,340 |
| Compensated absences payable - current | 3,356 |
| Customer deposits payable | 51,831 |
| Accrued liabilities | 13,780 |
| Revenue bonds payable - current | 40,337 |
| Total current liabilities | <u>113,644</u> |

Noncurrent liabilities:

| | |
|------------------------------|----------------|
| Compensated absences payable | 8,891 |
| Revenue bonds payable | 549,214 |
| Total noncurrent liabilities | <u>558,105</u> |

| | |
|--------------------------|-----------------------|
| TOTAL LIABILITIES | <u>671,749</u> |
|--------------------------|-----------------------|

NET ASSETS

| | |
|---|----------------------------|
| Invested in capital assets, net of related debt | 2,735,357 |
| Restricted for debt service | 199,073 |
| Unrestricted | 214,319 |
| TOTAL NET ASSETS | <u>\$ 3,148,749</u> |

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2006**

| | |
|---------------------------------------|---------------------|
| Operating revenues: | |
| Charges for sales and services: | |
| Water and sewer fees | \$ 454,445 |
| Other revenues | 1,410 |
| Total operating revenues | <u>455,855</u> |
| Operating expenses: | |
| Administration | 378,195 |
| Depreciation expense | 140,793 |
| Total operating expenses | <u>518,988</u> |
| Operating income (loss) | <u>(63,133)</u> |
| Nonoperating revenues (expenses): | |
| Interest earned | 10,736 |
| Interest expense | (29,609) |
| Total nonoperating revenue (expenses) | <u>(18,873)</u> |
| Change in net assets | (82,006) |
| Total net assets - beginning | <u>3,230,755</u> |
| Total net assets - ending | <u>\$ 3,148,749</u> |

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2006**

| | |
|--|-------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 452,143 |
| Payments to suppliers | (285,337) |
| Payments to employees | (114,200) |
| Net cash provided (used) by operating activities | <u>52,606</u> |
| Cash flows from capital and related financing activities: | |
| Purchases of capital assets | (4,530) |
| Principal paid on capital debt | (34,198) |
| Interest paid on capital debt | (27,497) |
| Net cash provided (used) by capital and related financing activities | <u>(66,225)</u> |
| Cash flows from investing activities: | |
| Interest and dividends received | 10,736 |
| Net cash provided (used) by investing activities | <u>10,736</u> |
| Net increase in cash and cash equivalents | (2,883) |
| Cash and cash equivalents, beginning of year (including amounts in restricted accounts) | <u>476,702</u> |
| Cash and cash equivalents, end of year (including amounts in restricted accounts) | <u>\$ 473,819</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ (63,133) |
| Adjustments to reconcile operating income to cash provided (used) by operating activities: | |
| Depreciation expense | 140,793 |
| (Increase) decrease in accounts receivable | (8,885) |
| (Increase) decrease in inventories | 1,839 |
| (Increase) decrease in prepaid items | (6,786) |
| Increase (decrease) in customer deposits | 1,481 |
| Increase (decrease) in accounts payable | (12,422) |
| Increase (decrease) in compensated absences payable | (281) |
| Total adjustments | <u>115,739</u> |
| Net cash provided (used) by operating activities | <u>\$ 52,606</u> |

There were no noncash investing, capital or financing activities.

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Oak Grove, Louisiana, was incorporated January 13, 1909 and on January 4, 1966, adopted 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-Tern.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

Government-wide (GWFS) and fund financial statements (FFS)

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meetings the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund

The Sales Tax Special Revenue Fund accounts for a twenty-year one percent sales tax levied in 1997 for the purpose of maintaining streets and drainage and purchasing police equipment.

The Economic Development Special Revenue Fund accounts for funds designated for economic development within the town.

The Debt Service Fund accounts for funds reserved for repayment of general obligation bonds.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The municipality reports one major proprietary fund, the Water and Sewer Enterprise Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. However, there were no payments-in-lieu of taxes and other charges for the year ended June 30, 2006.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Water and Sewer Fund's principal operating revenues are water and sewer usage fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are show net of an allowance for uncollectibles, when material.

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 \$ 8,843,630, and were levied as follows:

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

Budgets

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

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 I. 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.

Public hearings are conducted to obtain taxpayer comment.

During the month of July the budget is legally enacted through passage of an ordinance.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Debt Service Fund.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets for the General, Capital Projects, and Special Revenue Funds are adopted on the modified accrual basis.

Appropriations lapse at the end of each fiscal year.

The Mayor and Council Members may authorize supplemental appropriations during the year.

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.

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.

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.

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.

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).

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

| | |
|-----------------------------------|-------|
| 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 |

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 compensatory time as a means of compensation.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

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.

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.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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.

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, 2006**

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2006, the Town has cash and cash equivalents (book balances) totaling \$2,726,695, as follows:

| | |
|--|----------------------------------|
| Cash and cash equivalents: | |
| Demand deposits | \$ 449,047 |
| Time deposits | 1,717,620 |
| Other | 225 |
| Total | <u>2,166,892</u> |
| Cash and cash equivalents - restricted: | |
| Demand deposits | 88,501 |
| Time deposits | <u>471,301</u> |
| Total | <u>559,803</u> |
| Total | <u><u>\$2,726,695</u></u> |

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, 2006, the Town had \$2,784,639 in deposits (collected bank balances). The deposits are secured from risk by \$423,662 of federal deposit insurance and \$2,360,977 of pledged securities held by the custodial banks in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 3 – RECEIVABLES

The following is a summary of receivables at June 30, 2006:

| | <u>General</u> | <u>Sales Tax</u> | <u>Water/ Sewer</u> | <u>Total</u> |
|------------------------------------|---------------------|----------------------|-------------------------|-----------------------|
| Receivables: | | | | |
| Taxes and licenses | \$13,239 | \$103,168 | | \$ 116,407 |
| Accounts | - | - | 47,989 | 47,989 |
| Intergovernmental | 1,499 | - | | 1,499 |
| Other | 393 | - | | 393 |
| Gross receivables | 15,131 | 103,168 | 47,989 | 166,288 |
| Less: allowance for uncollectibles | - | - | (5,173) | \$ (5,173) |
| Net total receivables | \$15,131 | \$103,168 | \$42,816 | \$ 161,115 |

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2006, follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 33,000 | \$ - | \$ - | \$ 33,000 |
| Recreational Vehicle hookups at park | 1,270 | - | - | 1,270 |
| Total capital assets, not being depreciated | 34,270 | - | - | 34,270 |
| Capital assets, being depreciated | | | | |
| Buildings | 1,660 | - | - | 1,660 |
| Buildings improvements | 18,750 | 38,075 | - | 56,825 |
| Infrastructure | 2,824,777 | 14,875 | - | 2,839,652 |
| Furniture and equipment | 190,622 | 22,585 | - | 213,207 |
| Vehicles | 189,572 | 1,569 | 19,957 | 171,184 |
| Total capital assets, being depreciated | 3,225,381 | 77,104 | 19,957 | 3,282,528 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,660 | - | - | 1,660 |
| Buildings improvements | 7,120 | 3,679 | - | 10,799 |
| Infrastructure | 323,347 | 74,842 | - | 398,189 |
| Furniture and equipment | 123,765 | 10,345 | - | 134,110 |
| Vehicles | 119,122 | 17,610 | 19,957 | 116,775 |
| Total accumulated depreciation | 575,014 | 106,476 | 19,957 | 661,533 |
| Total capital assets, being depreciated, net | 2,650,367 | (29,372) | - | 2,620,995 |
| Governmental activities, capital assets, net | \$ 2,684,637 | \$ (29,372) | \$ - | \$ 2,655,265 |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 4 - CAPITAL ASSETS (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|---------------------|------------------|---------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 10,756 | \$ - | \$ - | \$ 10,756 |
| Total capital assets, not being depreciated | <u>10,756</u> | <u>-</u> | <u>-</u> | <u>10,756</u> |
| Capital assets, being depreciated | | | | |
| Buildings | 1,815 | - | - | 1,815 |
| Infrastructure | 5,160,736 | 352 | - | 5,161,088 |
| Furniture and equipment | 121,184 | 4,178 | - | 125,362 |
| Vehicles | 95,064 | - | - | 95,064 |
| Total capital assets, being depreciated | <u>5,378,799</u> | <u>4,530</u> | <u>-</u> | <u>5,383,329</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 363 | 121 | - | 484 |
| Infrastructure | 1,782,429 | 129,680 | - | 1,912,109 |
| Furniture and equipment | 96,674 | 5,773 | - | 102,447 |
| Vehicles | 85,899 | 5,219 | - | 91,118 |
| Total accumulated depreciation | <u>1,965,365</u> | <u>140,793</u> | <u>-</u> | <u>2,106,158</u> |
| Total capital assets, being depreciated, net | <u>3,413,434</u> | <u>(136,263)</u> | <u>-</u> | <u>3,277,171</u> |
| Business- type activities, capital assets, net | <u>\$ 3,424,190</u> | <u>\$ (136,263)</u> | <u>\$ -</u> | <u>\$ 3,287,927</u> |

Depreciation expense was charged as follows:

| | |
|---|-------------------|
| Governmental activities: | |
| General government | \$ 15,042 |
| Highways and Streets | 91,434 |
| Total | <u>\$ 106,476</u> |
| Business-type activities - water/sewer | <u>\$ 140,793</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2006, is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|--|---------------|
| General Fund | Street Fund-Nonmajor governmental fund | \$ 572 |
| Sales Tax Fund | Sidewalk & Street Lighting Fund-Nonmajor governmental fund | <u>5</u> |
| Total | | <u>\$ 577</u> |

The outstanding balances between funds result mainly from the time lag between dates that reimbursable expenditures occur and payments between funds are made.

Interfund transfers during the year were as follows:

| <u>Transfer out:</u> | <u>Transfers In:</u> | | |
|---|----------------------|------------------------------|-------------------|
| | <u>General Fund</u> | <u>Nonmajor Governmental</u> | <u>Total</u> |
| Sales tax fund | \$ - | \$ 218,293 | \$ 218,293 |
| Nonmajor governmental fund - Economic Development | <u>24,000</u> | <u>-</u> | <u>24,000</u> |
| Total | <u>\$24,000</u> | <u>\$ 218,293</u> | <u>\$ 242,293</u> |

Transfers are used to move 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 6 – LEASES

The Town leases a commercial building to a warehousing company. The five-year lease term began July 10, 2001 and ends July 10, 2006.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 6 – LEASES (Continued)

According to the term of the lease, the lessee was required to pay nonmonetary 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.

The Town entered into a second operating lease with the lessee on 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 five years on the same terms and conditions as the original lease. All options to renew and extend cancel after July 20, 2021.

NOTE 7 - LONG TERM OBLIGATIONS

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The government also issues bonds where the government pledges income derived from the acquired or constructed asset to pay debt service. Bonds payable at June 30, 2006 are comprised of the following issues:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 7 - LONG TERM OBLIGATIONS (Continued)

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. **\$ 1,935,000**

Revenue Bonds:

\$1,045,000 Water and Sewer Revenue Bond dated March 20, 1998, due in monthly installments of \$4,995 beginning April 20, 1999 through March 20, 2038; an interest only payment of \$50,944 was due and paid March 20, 1999; interest rate is 4.875%. The Town has made extra payments which have reduced the term. **589,551**

Total **\$ 2,524,551**

Long-term liability activity for the year ended June 30, 2006, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------------|----------------------------|----------------------------|--------------------------------|
| Governmental activities: | | | | | |
| General obligations bonds payable | \$ 2,050,000 | - | \$ (115,000) | \$ 1,935,000 | \$ 120,000 |
| Compensated absences | 15,557 | 9,035 | (3,310) | 21,282 | 4,053 |
| Governmental activity long-term liabilities | <u>\$ 2,065,557</u> | <u>\$ 9,035</u> | <u>\$ (118,310)</u> | <u>\$ 1,956,282</u> | <u>\$ 124,053</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 7 - LONG TERM OBLIGATIONS (Continued)

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Business-type activities: | | | | | |
| Revenue bonds payable | \$ 623,749 | - | \$ (34,198) | \$ 589,551 | \$ 40,337 |
| Compensated absences | 13,514 | 6,670 | (8,301) | 11,883 | 5,109 |
| Business-type activity long-term liabilities | | | | | |
| | <u>\$ 637,263</u> | <u>\$ 6,670</u> | <u>\$ (42,499)</u> | <u>\$ 601,434</u> | <u>\$ 45,446</u> |

Annual debt service requirements to maturity for bonds are as follows:

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | |
|-----------|---|--|---|--|-----------|
| | <u>General Obligation Principal</u> | <u>General Obligation Interest</u> | <u>1998 Revenue Bonds Principal</u> | <u>1998 Revenue Bonds Interest</u> | |
| | 2007 | \$ 120,000 | \$ 87,978 | \$ 40,337 | \$ 19,604 |
| | 2008 | 125,000 | 82,679 | 33,171 | 26,770 |
| 2009 | 135,000 | 76,990 | 34,788 | 25,153 | |
| 2010 | 140,000 | 70,905 | 36,484 | 23,457 | |
| 2011 | 145,000 | 64,527 | 38,263 | 21,678 | |
| 2012-2016 | 1,060,000 | 224,002 | 221,180 | 78,526 | |
| 2017-2021 | 210,000 | 5,145 | 185,328 | 19,526 | |
| Totals | <u>\$ 1,935,000</u> | <u>\$ 612,225</u> | <u>\$ 589,551</u> | <u>\$ 214,714</u> | |

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 \$124,191.

NOTE 8 – RETIREMENT SYSTEMS

Municipal Employees Retirement System of Louisiana (System)

Plan Description

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Substantially all full-time employees except police of the Town of Oak Grove are members of Plan B.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 8 -- RETIREMENT SYSTEMS (Continued)

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Funding Policy

Under Plan B, members are required by state statute to contribute five percent of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The current rate is 2.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Oak Grove are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Oak Grove contributions to the System under Plan B for the years ended June 31, 2006, 2005, and 2004, were \$23,580, \$29,200, and \$31,910, respectively, equal to the required contributions for each year.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 8 – RETIREMENT SYSTEMS (Continued)

Municipal Police Employees Retirement System of Louisiana (System)

Plan Description

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Funding Policy

Plan members are required by state statute 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 is 9.0% of annual covered payroll. The contribution requirements of plan members and the Town of Oak Grove are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Oak Grove contributions to the System for the years ended June 30, 2006, 2005, and 2004, were \$19,203, \$25,771, and \$28,402, respectively, equal to the required contributions for each year.

NOTE 9 – 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 employs a professional wastewater management company insuring that compliance with the EPA regulations.

According to the Town's legal counsel, there was no litigation pending at June 30, 2006.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 10 - 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.

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

Beginning equity has been restated to include \$161,028 of capital assets that were expensed rather than capitalized and to write off liabilities of \$43,211 that should not have been accrued.

REQUIRED SUPPLEMENTAL INFORMATION

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

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 157,900 | \$ 159,100 | \$ 159,522 | \$ 422 |
| Licenses and permits | 113,000 | 128,500 | 140,883 | 12,383 |
| Intergovernmental revenues | - | 25,000 | - | (25,000) |
| Charges for services | 11,400 | 18,303 | 15,156 | (3,147) |
| Fines | 20,000 | 24,000 | 23,283 | (717) |
| Lease income | - | 34,100 | 34,256 | 156 |
| Interest earned | 4,000 | 7,000 | 7,318 | 318 |
| Other revenues | 4,000 | 4,500 | 2,178 | (2,322) |
| Total revenues | <u>310,300</u> | <u>400,503</u> | <u>382,596</u> | <u>(17,907)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 177,672 | 185,972 | 183,774 | 2,198 |
| Public safety | 166,140 | 168,540 | 162,782 | 5,758 |
| Highways and streets | - | 5,603 | 572 | 5,031 |
| Capital outlay | - | 25,765 | 3,094 | 22,671 |
| Total expenditures | <u>343,812</u> | <u>385,880</u> | <u>350,222</u> | <u>35,658</u> |
| Excess (deficiency) of revenues over expenditures | <u>(33,512)</u> | <u>14,623</u> | <u>32,374</u> | <u>17,751</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | 24,000 | 24,000 | - |
| Gain (loss) on sale of capital assets | - | - | 1,682 | 1,682 |
| Total other financing sources and uses | <u>-</u> | <u>24,000</u> | <u>25,682</u> | <u>1,682</u> |
| Net change in fund balances | (33,512) | 38,623 | 58,056 | 19,433 |
| Fund balances - beginning | <u>235,229</u> | <u>273,654</u> | <u>282,420</u> | <u>8,766</u> |
| Fund balances - ending | <u>\$ 201,717</u> | <u>\$ 312,277</u> | <u>\$ 340,476</u> | <u>\$ 28,199</u> |

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

SALES TAX FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 470,000 | \$ 500,000 | \$ 530,683 | \$ 30,683 |
| Interest earned | 10,000 | 19,500 | 20,431 | 931 |
| Other revenues | - | 50 | 967 | 917 |
| Total revenues | <u>480,000</u> | <u>519,550</u> | <u>552,081</u> | <u>32,531</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 282,306 | 277,652 | 262,939 | 14,713 |
| Highways and streets | 6,000 | 7,600 | 7,594 | 6 |
| Capital outlay | 7,280 | 60,030 | 47,635 | (12,395) |
| Total expenditures | <u>295,586</u> | <u>345,282</u> | <u>318,168</u> | <u>2,324</u> |
| Excess (deficiency) of revenues over expenditures | <u>184,414</u> | <u>174,268</u> | <u>233,913</u> | <u>59,645</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(211,829)</u> | <u>(211,829)</u> | <u>(218,293)</u> | <u>(6,464)</u> |
| Total other financing sources and uses | <u>(211,829)</u> | <u>(211,829)</u> | <u>(218,293)</u> | <u>(6,464)</u> |
| Net change in fund balances | (27,415) | (37,561) | 15,620 | 53,181 |
| Fund balances - beginning | 796,047 | 791,036 | 838,528 | 47,492 |
| Fund balances - ending | <u>\$ 768,632</u> | <u>\$ 753,475</u> | <u>\$ 854,148</u> | <u>\$ 100,673</u> |

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

ECONOMIC DEVELOPMENT FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Lease income | \$ 29,400 | \$ 10,750 | \$ - | \$ (10,750) |
| Interest earned | 5,000 | - | 10,790 | 10,790 |
| Other revenues | - | - | - | - |
| Total revenues | <u>34,400</u> | <u>10,750</u> | <u>10,790</u> | <u>40</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | 2,632 | 2,632 | - |
| Highways and streets | 2,200 | 11,967 | 13,467 | 1,500 |
| Total expenditures | <u>2,200</u> | <u>14,599</u> | <u>16,099</u> | <u>1,500</u> |
| Excess (deficiency) of revenues over expenditures | <u>32,200</u> | <u>(3,849)</u> | <u>(5,309)</u> | <u>(1,460)</u> |
| Other financing sources (uses): | | | | |
| Transfers out | - | (24,000) | (24,000) | - |
| Gain (loss) on sale of capital assets | - | 49,710 | 49,710 | - |
| Total other financing sources and uses | <u>-</u> | <u>25,710</u> | <u>25,710</u> | <u>-</u> |
| Net change in fund balances | 32,200 | 21,861 | 20,401 | (1,460) |
| Fund balances - beginning | 353,006 | 345,386 | 345,386 | - |
| Fund balances - ending | <u>\$ 385,206</u> | <u>\$ 367,247</u> | <u>\$ 365,787</u> | <u>\$ (1,460)</u> |

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

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006**

| | <u>Special Revenue</u> | | | <u>Capital Projects</u> | <u>Total</u> |
|--|------------------------|-------------------|------------------|---|--|
| | <u>Street</u> | <u>Cemetery</u> | <u>Total</u> | <u>Sidewalk and Street Lighting</u> | <u>Nonmajor Governmental Funds</u> |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 156,539 | \$ 229,352 | \$385,891 | \$ 5 | \$ 385,896 |
| TOTAL ASSETS | <u>\$ 156,539</u> | <u>\$ 229,352</u> | <u>\$385,891</u> | <u>\$ 5</u> | <u>\$ 385,896</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 2,505 | \$ 125 | \$ 2,630 | \$ - | \$ 2,630 |
| Due to other funds | 572 | - | 572 | 5 | 577 |
| TOTAL LIABILITIES | <u>3,077</u> | <u>125</u> | <u>3,202</u> | <u>5</u> | <u>3,207</u> |
| FUND BALANCES | | | | | |
| Unreserved, undesignated | 153,462 | 229,227 | 382,689 | - | 382,689 |
| TOTAL FUND BALANCES | <u>153,462</u> | <u>229,227</u> | <u>382,689</u> | <u>-</u> | <u>382,689</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 156,539</u> | <u>\$ 229,352</u> | <u>\$385,891</u> | <u>\$ 5</u> | <u>\$ 385,896</u> |

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

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006**

| | Special Revenue | | | Capital Projects | Total |
|---|-------------------|-------------------|-------------------|------------------------------|-----------------------------|
| | Street | Cemetery | Total | Sidewalk and Street Lighting | Nonmajor Governmental Funds |
| Revenues: | | | | | |
| Taxes | \$ 55,786 | \$ 22,244 | \$ 78,030 | \$ - | \$ 78,030 |
| Charges for services | - | 4,725 | 4,725 | - | 4,725 |
| Intergovernmental revenues | - | - | - | 8,410 | 8,410 |
| Interest earned | 2,869 | 4,986 | 7,855 | - | 7,855 |
| Total revenues | 58,655 | 31,955 | 90,610 | 8,410 | 99,020 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Highways and streets | 65,817 | 15,894 | 81,711 | - | 81,711 |
| Capital outlay | - | 11,500 | 11,500 | 14,875 | 26,375 |
| Total expenditures | 65,817 | 27,394 | 93,211 | 14,875 | 108,086 |
| Excess (deficiency) of revenues over (under) expenditures | (7,162) | 4,561 | (2,601) | (6,465) | (9,066) |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | 6,465 | 6,465 |
| Total other financing sources and (uses) | - | - | - | 6,465 | 6,465 |
| Net change in fund balances | (7,162) | 4,561 | (2,601) | - | (2,601) |
| Fund balances - beginning | 160,624 | 224,666 | 385,290 | - | 385,290 |
| Fund balances - ending | \$ 153,462 | \$ 229,227 | \$ 382,689 | \$ - | \$ 382,689 |

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

**SCHEDULE OF COMPENSATION TO MAYOR AND TOWN COUNCIL
FOR THE YEAR ENDED JUNE 30, 2006**

| | |
|----------------------|-----------------|
| 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> |

OTHER REPORTS



Hulsey, Harwood & Co.

A Professional Accounting Corporation

Certified Public Accountants

Report 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*

**Town of Oak Grove
Oak Grove, Louisiana**

We have audited the accompanying financial statements of The Town of Oak Grove, as of and for the year ended June 30, 2006, as listed in the table of contents, and have issued our report thereon dated December 8, 2006. We conducted our 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 our audit, we considered The Town of Oak Grove's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect The Town of Oak Grove's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1 and 2006-2.

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. Our 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, of the reportable conditions described above, we consider items 2006-1 and 2006-2 to be material weaknesses.

Town of Oak Grove
Oak Grove, Louisiana
Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance, etc.
June 30, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Town of Oak Grove's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of The Town of Oak Grove in a separate letter dated December 8, 2006.

This report is intended solely for the information and use of the members of The Town of Oak Grove, management, federal awarding agencies, pass-through entities and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

HULSEY, HARWOOD & CO., CPAs
A Professional Accounting Corporation

Hulsey, Harwood & Co.

December 8, 2006

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of The Town of Oak Grove.
2. Two reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. Items 2006-1 and 2006-2 are considered material weaknesses.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2006-1 Water and Sewer Fund Internal Controls/Unauthorized Accounts Receivable Write-Offs

Condition and Criteria: The Water and Sewer Fund lacks proper internal control procedures. In completing our audit procedures we noted that the two department clerks had excess control over virtually every aspect of the Fund.

- The clerks were able to write off \$39,894 of receivables without approval from the Mayor and Council. Proper internal control procedures include that the duties of custody, authorization and recording be segregated.
- The department did not print an accounts receivable trial balance and a customer deposit trial balance at year-end. Proper internal control procedures include maintaining a proper audit trail and balancing the billing system to the general ledger each month-end. All available useful reports should be printed and retained each month.
- The general ledger is maintained on a cash basis. While it is common for governmental funds to be maintained on a cash basis in a small government, the cash basis is not appropriate for proprietary funds such as the Water and Sewer Enterprise Fund. Operations cannot be properly monitored without monitoring earned revenue and receivable collections.
- The department does not close out the cash register on a daily basis. Further, the department cashed checks for employees and customers out of the deposits. Proper internal control procedures include daily balancing of cash and checks in the cash register to receipts per the billing system. Deposits should remain in tact and should be deposited daily. In tact means that the cash and checks should be deposited as they were received. There should be no transferring cash to another deposit, holding cash for another deposit, cashing employee or customer checks or any other similar acts.
- Customers with a water consumption level greater than \$10,000 gallons were over charged approximately \$200 during the period from April 1, 2006 through June 30, 2006. The error was caused by incorrect setup of an upgrade to the billing system installed in March 2006. The Town changed billing systems in July 2006 and set up the rates correctly. Proper internal control procedures include tests of the system to verify correct billing.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

2006-1 Water and Sewer Fund Internal Controls/Unauthorized Accounts Receivable Write-Offs (Continued)

- The customer meter deposit bank account and certificate of deposit were \$5,602 short of the total of customer deposit balances. Proper internal control procedures include balancing the amount of cash on hand for customer deposits to the customer deposit trial balance. The cash is restricted and cannot be used for operations.
- Documentation of changes in customer accounts and transactions is inadequate. In many instances, typical audit questions could not be answered by the department or could not be answered within a reasonable time frame. Proper internal controls include providing an audit trail that documents significant dates and events (deposit receipt, turn on date, date and nature of complaints and the resolution to such complaints, the number and dates when service was disconnected for nonpayment, deposit return, forwarding address, etc.) in each customer's history. Further, customer complaints should be investigated by someone other than those employees responsible for cash receipts and accounts receivable.
- Considering the amount of past due accounts and write-offs, the level of reconnect fees is unreasonably low. The department stated that employees are sometimes not available to disconnect service on the appropriate dates. Considering this condition with the others described above, we conclude that the Town's collection procedures are inadequate.
- There are two clerks in the department's office that are responsible for billing, collecting and recordkeeping. At year-end, one clerk was maintaining a manual general ledger and bank reconciliation and the other was maintaining a computerized general ledger and bank reconciliation. Proper internal control procedures include that the duties of custody, authorization and recording be segregated. In other words no one employee should be responsible for billing, collecting payments, recording payments, recording billing, investigating customer complaints, writing checks, signing checks, mailing checks and reconciling the bank statement to the general ledger. The duties should be split between the two employees as much as possible. Further, the manual general ledger and bank reconciliation is an unnecessary use of the clerk's time and thus an unnecessary expense to the Town. Duties of the two clerks should be redistributed among the clerks and others for efficiency and effectiveness making collection a priority.

Effect: The Town has lost revenue due to improper collection procedures. Audit risk was increased resulting in the performance of additional procedures which in turn raises audit cost. Further, without proper internal controls, the Town is at a greater risk for fraud and error.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

2006-1 Water and Sewer Fund Internal Controls/Unauthorized Accounts Receivable Write-Offs (Continued)

Recommendation: It is important to note that management's personal beliefs about individual employees' trustworthiness should not be allowed to interfere with the process of assessing risk. Management should base the risk assessment on positions and processes rather than people. Hiring people you trust is "a given" if you will. Ideal internal control policies and procedures are often referred to in the accounting and auditing world as "Best Practices". Best practices include dividing duties among employees to ensure that no one person has total control over any single transaction. The duties of custody, authorization and recording are typically segregated. Perhaps, the Governmental Funds' bookkeeper and the Water and Sewer clerks could assume some of each others duties to effect the segregation needed. The Town Clerk could assume minor duties as well. For example, the Town Clerk could be the first employee to receive all mail logging any payments received. The Town Clerk could open and review all bank statements and bank reconciliations. Governmental Funds' signed checks could be returned to the Water and Sewer Clerks for mailing while the Water and Sewer Funds' signed checks could be returned to the Governmental Funds' bookkeeper for mailing. Ideally, bookkeepers would not sign checks. However, if the lack of personnel and the volume of checks require that someone other than the Mayor, Council Members and Town Clerk be authorized to sign checks, perhaps this duty can be transferred between departments as well. For example, the general bookkeeper is authorized to sign Water and Sewer Fund checks but not checks written on funds of which the clerk maintains books. Additionally, we recommend that the Town consult the Best Practices checklist available on the Louisiana Legislative Auditor's website. Further, we recommend that management review the accounts that were written off to determine whether there is any indication that the past due accounts were caused by other than a lack of proper collection efforts.

Management's Response: We will take steps to follow the auditors' recommendations.

2006-2 Governmental Funds' Internal Controls

Condition and Criteria: Duties relating to governmental funds (General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds) are not properly segregated. Currently the bookkeeper has the following significant duties: receive, open and distribute mail; record deposits; control blank check stock; write checks; sign checks; mail checks; record check; reconcile bank accounts; maintain attendance records and process payroll. Proper internal control procedures include that the duties of custody, authorization and recording be segregated.

Effect: *The Town is at a greater risk for fraud and error.*

Recommendation: We recommend that the Town distribute the bookkeeper's duties between the bookkeeper, Water and Sewer clerks and Town Clerk consulting the Best Practices checklist available on the Louisiana Legislative Auditor's website. Also see finding 2006-1.

Management's Response: We will take steps to follow the auditors' recommendations.

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

**STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

2005-1 Budgets

Description: Failure to properly amend budget.

Status: Cleared

2005-2 Security for Deposits

Description: Deposits were inadequately secured due to a bank error.

Status: Cleared



Hulsey, Harwood & Co.

A Professional Accounting Corporation

Certified Public Accountants

Management Letter

Town of Oak Grove
Oak Grove, Louisiana

In planning and performing our audit of the financial statements of the governmental activities, business activities, each major fund and the aggregate remaining fund information of the Town of Oak Grove, as of and for the year ended June 30, 2006, which collectively comprise the town's basic financial statements, we considered the Town of Oak Grove's internal control in order to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we noted certain matters involving operational matters that are presented for your consideration. This letter does not affect our report dated December 8, 2006, on the basic financial statements of the Town of Oak Grove. We will review the status of these comments during our next audit engagement. Our comments and recommendations which have been discussed with appropriate members of management, is intended to result in improved operating efficiency. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

ML 2006-1 Timely Reconciliation of Bank Accounts

Comment

At June 30, 2006, the Water and Sewer Fund bank accounts had not been reconciled to the general ledger.

Recommendation All bank accounts should be reconciled monthly to the general ledger and reviewed for accuracy.

Management's Response: We will take steps to follow the auditors' recommendations.

ML 2006-2 Inadequate Support for Disbursements and Improper Posting

Comment

We selected a sample of twenty-seven Water and Sewer Fund cash disbursements for testing. Out of the twenty-seven tested, we noted three disbursements for customer meter refunds that did not have adequate support, two disbursements that were not correctly recorded in the general ledger, and three disbursements with no evidence that the invoices had been reviewed for payment.

The Town of Oak Grove
2006 Management letter (Continued)

Recommendation We recommend that the Town implement procedures to properly document the refund of meter deposits, to assure that disbursements are properly recorded, and to document that invoices have been reviewed for payment.

Management's Response: We will take steps to follow the auditors' recommendations.

ML 2006-3 Personnel Records

Comment

During procedures, related to payroll, we noted that there is no documentation in employee personnel files to evidence authorization of pay rates and that a manual schedule is maintained for compensated absences.

Recommendation We recommend that the Town develop a "Change in Pay Status" form to document the pay rate authorized by the Council. The form should be dated and signed by the Mayor or Clerk and the bookkeeper and filed in the employees' personnel file. Further, we recommend that a simple computerized spreadsheet be maintained to track compensated absences. Such a record is easy to maintain, reduces the risk of human error and is easier to audit.

Management's Response: We will take steps to follow the auditors' recommendations.

ML 2006-4 Police Department Tickets

Comment

The Town's police department does not adequately document the disposition of all tickets. There is no documentation of suspended tickets and the authorization for suspension.

Recommendation

The ticket books are printed with a log on the cover. We recommend that the chief of police instruct the officers to log the disposition (issued, void, etc.) of all tickets in the provided log. The chief should periodically account for the sequence of the tickets. Void tickets should be retained. Further, suspended tickets should be signed by the Mayor and the Chief indicating their approval of the suspension.

Management's Response: We will take steps to follow the auditors' recommendations.

Our audit procedures are designed primarily to enable us to form opinions on the basic financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

The Town of Oak Grove
2006 Management letter (Continued)

This report is intended solely for the information and use of the Council of the Town of Oak Grove, management, federal awarding agencies, pass-through entities and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

HULSEY, HARWOOD & CO., CPAs
A Professional Accounting Corporation

Hulsey, Harwood & Co.

December 8, 2006