

RECEIVED
04 DEC 22 AM 11:11

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

With Supplemental Information Schedules

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

Release Date 2/2/05

DARLA S. TURNER, CPA
A Professional Accounting Corporation
3001 Armand Street, Suite C
Monroe, Louisiana 71201

TOWN OF OAK GROVE, LOUISIANA
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004
 WITH SUPPLEMENTAL INFORMATION SCHEDULES

CONTENTS

	PAGE
Independent Auditor’s Report- - - - -	3 - 4
 REQUIRED SUPPLEMENTARY INFORMATION-PART I	
Management’s Discussion and Analysis- - - - -	5 - 7
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets- - - - -	8 - 9
Statement of Activities- - - - -	10
 Fund Financial Statements:	
Balance Sheet – Governmental Funds- - - - -	11
Reconciliation of The Governmental Funds Balance Sheet to The Government-Wide Financial Statement of Net Assets- <i>Statement of Revenues, Expenditures and</i>	12
Changes in Fund Balances – Governmental Funds- - - - -	13
Reconciliation of The Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds To The Statement of Activities - - - - -	14
Statement of Net Assets – Proprietary Fund – Water and Sewer Fund- Statement of Revenues, Expenditures and Changes in Net Assets – Proprietary Fund-Water and Sewer Fund- - - - -	15
Statement of Cash Flows – Proprietary Fund – Water and Sewer Fund	16
Statement of Cash Flows – Proprietary Fund – Water and Sewer Fund	17
Notes to Financial Statements- - - - -	18 - 33
 REQUIRED SUPPLEMENTARY INFORMATION – PART II	
Budgetary Comparison Schedules	
General Fund- - - - -	34
Special Revenue Fund -Sales Tax Fund- - - - -	35
Business-Type Activity –Water and Sewer Fund- - - - -	36

OTHER SUPPLEMENTARY INFORMATION

Schedule of Compensation Paid to Mayor and Town Council - - - - - 37

OTHER REPORTS REQUIRED BY *GOVERNMENTAL AUDITING STANDARDS*

Non-major Special Revenue Funds:
 Combining Balance Sheet- - - - - 38
 Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances- - - - - 39

Non-major Capital Projects Funds:
 Combining Balance Sheet- - - - - 40
 Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances- - - - - 41

Schedule of Findings and Questioned Costs - - - - - 42
Summary Schedule of Prior Year Audit and Questioned Costs - - - - - 43

Report on Compliance and on Internal Control
over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards* - - - - - 44 - 45

DARLA S. TURNER, CPA

A Professional Accounting Corporation
3001 Armand, Suite C, Monroe, La. 71201
(318) 323-8891

Member:
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Independent Auditor's Report

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, Louisiana as of and for the year ended June 30, 2004, which collectively comprise the Town of Oak Grove's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Oak Grove, Louisiana's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

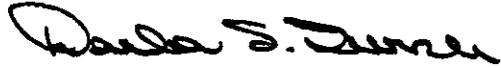
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1.A, the Town of Oak Grove, Louisiana has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statement—and Management's Discussion and Analysis—for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 5 through 7 and pages 34 through 35, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

A handwritten signature in black ink that reads "Darla S. Turner". The signature is written in a cursive style with a large initial 'D'.

DARLA S. TURNER
CERTIFIED PUBLIC ACCOUNTANT

Monroe, Louisiana
December 8, 2004

TOWN OF OAK GROVE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town provides an overview of the Town's activities for the year ended June 30, 2004. Please read it in conjunction with the Town's financial statements.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole The Statement of Net Assets and the Statement of Activities

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

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

THE TOWN AS A WHOLE

For the year ended June 30, 2004, net assets changed as follows:

Beginning Net Assets	\$ 2,140,507
Increase in Net Assets	176,344
Prior Period Adjustment	139
Ending Net Assets	<u>\$ 2,316,990</u>

THE TOWN'S FUNDS

The following schedule presents a summary of revenues and expenditures for the year ended June 30, 2004.

Governmental activities:

Revenues	Amount	Percent of Total
Sales taxes	\$ 458,661	58.28%
Property taxes	157,633	20.03%
Lease income	135,860	17.26%
Interest earned	29,093	3.70%
Miscellaneous	5,813	0.74%
Total Revenues	<u>\$ 787,060</u>	<u>100.00%</u>

<u>Expenditures</u>		
General government	\$ 578,144	63.30%
Public Safety	161,896	17.73%
Public Works	58,438	6.40%
Health & Welfare	-	0.00%
Operating Services	1,096	0.12%
Culture & Recreation	3,015	0.33%
Economic Development	798	0.09%
Interest on Long-Term Debt	109,983	12.04%
Total Expenditures	<u>\$ 913,370</u>	<u>100.00%</u>

Business-type activities:

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Water and sewer revenue	\$ 456,946	82.03%
Fees, charges & commissions for services	2,215	0.40%
Grant income - LCDBG	84,359	15.14%
Interest earnings	6,394	1.15%
Miscellaneous	7,166	1.29%
Total Revenues	<u>\$ 557,080</u>	<u>100.00%</u>

<u>Expenditures</u>		
Health & Welfare	406,004	69.02%
Depreciation Expense	148,703	25.28%
Interest on Long-Term Debt	33,535	5.70%
Total Expenditures	<u>\$ 588,242</u>	<u>100.00%</u>

BUDGETARY HIGHLIGHTS

The Town's total revenues in 2004 were more than the final budget by \$189,280. Actual expenditures for the Town in 2004 were more than the final budget by \$76,886.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the Town had \$3,647,276 invested in capital assets including buildings and improvements, vehicles, machinery, equipment and land (see table below).

<u>Asset</u>	<u>Gross</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Buildings & improvement	\$ 23,495	\$ 7,526	\$ 15,969
Infrastructure	7,688,635	1,909,012	5,779,623
Furniture and equipment	286,060	198,305	87,755
Vehicles	247,874	182,255	65,619
Land	38,756	-	38,756
	<u>\$ 8,284,820</u>	<u>\$ 2,297,098</u>	<u>\$ 5,987,722</u>

This year's additions included \$93,526 in furniture and equipment and infrastructure.

DEBT

At year end, the Town had a total of \$2,160,000 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 2007. The Water and Sewer Revenue Bond is due in monthly installments of \$4,995 through March 20, 2039. It bears interest at 4.875%.

In addition, the Town had a total liability of \$31,319 for compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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.

Mrs. Sandra Miller
Town Clerk

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-Type Activities	Total
		Water and Sewer Fund	
ASSETS			
Cash	\$ 2,183,749	\$ 274,115	\$ 2,457,864
Cash - restricted	-	162,223	162,223
Accounts Receivable	155,590	44,131	199,721
Inventory		10,801	10,801
Grant receivable	35,000	-	35,000
Due from other funds	35,000	-	35,000
Due From Other Entities	25,000	-	25,000
Capital Assets:			-
Non-Depreciable	28,000	10,756	38,756
Depreciable	2,401,263	3,547,703	5,948,966
TOTAL ASSETS	\$ 4,863,602	\$ 4,049,729	\$ 8,913,331

LIABILITIES	Governmental Activities	Business-Type Activities	Total
		Water and Sewer Fund	
Current Liabilities			
Accounts Payable	\$ 173,168	\$ 3,820	\$ 176,988
Payroll and related liabilities	2,486	624	3,110
Due to other funds	35,005	-	35,005
Due to others	42,894	47,413	90,307
Total Current Liabilities	<u>253,553</u>	<u>51,857</u>	<u>305,410</u>
Non-Current Liabilities			
<i>Due Within One Year</i>			
Bonds Payable	115,000	59,941	174,941
Interest payable	-	9,675	9,675
<i>Due in More Than One Year</i>			
Bonds Payable	2,160,000	592,634	2,752,634
Payroll and related liabilities	18,059	12,546	30,605
Total Non-Current Liabilities	<u>2,293,059</u>	<u>674,796</u>	<u>2,967,855</u>
Total Liabilities	<u>2,546,612</u>	<u>726,653</u>	<u>3,273,265</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt			
	154,263	2,905,884	3,060,147
Reserved For:			
Refund of sales tax collections	40,175	-	40,175
Debt Service	342,611	-	342,611
Unreserved, Reported In:			
General Fund	282,171	417,192	699,363
Special Revenue Funds	1,483,175	-	1,483,175
Capital Project Funds	14,595	-	14,595
Total Net Assets	<u>2,316,990</u>	<u>3,323,076</u>	<u>5,640,066</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,863,602</u>	<u>\$ 4,049,729</u>	<u>\$ 8,913,331</u>

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Function/Program Activities	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Government Activities:					
General Government	\$ 578,144	\$ 232,979	\$ -	\$ -	\$ (345,165)
Public Safety	161,896	7,175	-	-	(154,721)
Public Works	58,438	-	-	-	(58,438)
Operating Services	1,096	-	-	-	(1,096)
Culture & Recreation	3,015	-	2,500	-	(515)
Economic Development	798	-	60,000	-	59,202
Interest on Long-Term Debt	109,983	-	-	-	(109,983)
Total Governmental Activities	\$ 913,370	\$ 240,154	\$ 62,500	\$ -	\$ (610,716)

General Revenues:

Taxes:

Property Taxes	157,633
Sales Taxes	458,661
Miscellaneous	5,813
Lease income	135,860
Interest Earned	29,093
Total General Revenues	787,060

Changes in Net Assets 176,344

Net Assets - Beginning 2,140,507

Prior period adjustment 139

Net Assets - Ending \$ 2,316,990

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 309,622	\$ 805,562	\$ 1,068,565	\$ 2,183,749
Investments	-	-	-	-
Receivables	120,315	35,251	24	155,590
Grant receivable	-	-	35,000	35,000
Due from other funds	-	35,000	-	35,000
Due from other entities	-	-	25,000	25,000
Inventory	-	-	-	-
TOTAL ASSETS	<u>\$ 429,937</u>	<u>\$ 875,813</u>	<u>\$ 1,128,589</u>	<u>\$ 2,434,339</u>
Liabilities and fund equity:				
Current Liabilities:				
Accounts payable	\$ 102,643	\$ 1,050	\$ 69,475	\$ 173,168
Payroll and related liabilities	740	1,746	-	2,486
Due to other funds	35,000	-	5	35,005
Due to others	2,719	40,175	-	42,894
Total current liabilities	<u>141,102</u>	<u>42,971</u>	<u>69,480</u>	<u>253,553</u>
Long-Term Liabilities:				
Compensated absences	6,664	11,395	-	18,059
Total long-term liabilities	<u>6,664</u>	<u>11,395</u>	<u>-</u>	<u>18,059</u>
Fund Balances:				
Reserved For:				
Refund of sales tax collections	-	40,175	-	40,175
Debt Service	-	-	342,611	342,611
Unreserved, Reported In:				
General Fund	282,171	-	-	282,171
Special Revenue Funds	-	781,272	701,903	1,483,175
Capital Project Funds	-	-	14,595	14,595
Total fund equity	<u>282,171</u>	<u>821,447</u>	<u>1,059,109</u>	<u>2,162,727</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 429,937</u>	<u>\$ 875,813</u>	<u>\$ 1,128,589</u>	<u>\$ 2,434,339</u>

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

TOWN OF OAKGROVE
OAK GROVE, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE GOVERNMENT-WIDE
FINANCIAL STATEMENT OF NET ASSETS
JUNE 30, 2004

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

Total Governmental Fund Balances	\$ 2,162,727
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,429,263
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,275,000)</u>
Net Assets of Governmental Activities	<u>\$ 2,316,990</u>

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Ad valorem	\$ 81,175	\$ -	\$ 76,458	\$ 157,633
Sales tax		458,661		458,661
Intergovernmental revenues:				
State funds:				
Grants	-	-	37,500	37,500
Fees, charges and commission for services	232,979	-	7,175	240,154
Lease income	106,460	-	29,400	135,860
Use of money and property interest earnings and rents	3,551	12,198	13,344	29,093
Other revenues	3,296	1,409	26,108	30,813
Total revenues	<u>427,461</u>	<u>472,268</u>	<u>189,985</u>	<u>1,089,714</u>
Expenditures:				
General government:				
Finance and administrative	179,443	-	-	179,443
Other general government	105,996	292,705	-	398,701
Public safety	161,896	-	-	161,896
Public works	-	-	59,236	59,236
Health and welfare	-	-	-	-
Operating services	-	-	1,096	1,096
Culture and recreation	-	-	3,015	3,015
Capital Outlay	1,609	-	79,358	80,967
Debt Service:				
Principle Payments	-	-	105,000	105,000
Interest and other	-	-	109,983	109,983
Total expenditures	<u>448,944</u>	<u>292,705</u>	<u>357,688</u>	<u>1,099,337</u>
Excess (deficiency) of revenues over expenditures	<u>(21,483)</u>	<u>179,563</u>	<u>(167,703)</u>	<u>(9,623)</u>
Other financing sources (uses):				
Operating transfers in	-	-	243,287	243,287
Operating transfers out	-	(218,287)	(25,000)	(243,287)
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(218,287)</u>	<u>218,287</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(21,483)</u>	<u>(38,724)</u>	<u>50,584</u>	<u>(9,623)</u>
Fund balances, beginning	295,590	860,171	1,008,386	2,164,147
Reclassifications	8,064	-	-	8,064
	<u>-</u>	<u>-</u>	<u>139</u>	<u>139</u>
Fund balances, ending	<u>\$ 282,171</u>	<u>\$ 821,447</u>	<u>\$ 1,059,109</u>	<u>\$ 2,162,727</u>

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

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

Net Change in Fund Balances - Total Governmental Funds	\$	(9,623)
 Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		80,967
 Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long-term debt liabilities in the statement of net assets.		<u>105,000</u>
 Change in Net Assets in Governmental Activities	 \$	 <u>176,344</u>

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND-WATER AND SEWER FUND
JUNE 30, 2004

ASSETS		
Cash and cash equivalents		\$ 274,115
Cash-restricted		162,223
Accounts receivable		44,131
Inventory		10,801
Due from other governments		
Capital Assets:		
Non-depreciable		10,756
Depreciable		<u>3,547,703</u>
	TOTAL ASSETS	<u><u>\$4,049,729</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable		\$ 3,820
Payroll and related liabilities		624
Due to others		<u>47,413</u>
	Total Current Liabilities	51,857
Non-Current Liabilities		
Due Within One Year		
Bonds Payable		59,941
Interest Payable		9,675
Due in More Than One Year		
Bonds Payable		592,634
Payroll and related liabilities		<u>12,546</u>
	Total Non-Current Liabilities	<u>674,796</u>
	TOTAL LIABILITIES	<u><u>726,653</u></u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		2,905,884
Unreserved, Reported In: General Fund		<u>417,192</u>
	Total Net Assets	<u>3,323,076</u>
	TOTAL LIABILITIES AND NET ASSETS	<u><u>\$4,049,729</u></u>

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2004

Revenues:	
Water and sewer revenue	\$ 456,946
Fees, charges and commission for services	2,215
Grant income - LCDBG	84,359
Use of money and property interest earnings and rents	6,394
Other revenues	7,166
Total revenues	<u>557,080</u>
Expenditures:	
Health and welfare	406,004
Capital Outlay	-
Depreciation expense	148,703
Debt Service:	
Interest	33,535
Total expenditures	<u>588,242</u>
Excess (deficiency) of revenues over expenditures	(31,162)
Fund balances, beginning	3,369,606
Prior period adjustments	<u>(15,368)</u>
Fund balances, ending	<u>\$ 3,323,076</u>

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

TOWN OF OAK GROVE, LOUISIANA
OAK GROVE, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER
JUNE 30 2004,

Cash Flows From Operating Activities:

Operating income	\$ (31,162)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	148,703
Changes in assets and liabilities:	
Increase in accounts receivable	(388)
Decrease in accounts payable	(5,345)
Increase in other payables	10,746
Decrease in interest payable	(1,087)
Increase in customers' deposits	3,065
Decrease in inventory supplies	98
Other adjustments (Interest)	<u>(33,535)</u>
Total Adjustments	<u>122,257</u>
Net Cash Provided By Operating Activities	<u>91,095</u>

Cash Flows From Capital and Related Financing Activities:

Acquisition and construction of capital assets	(93,526)
Prior period adjustment in accumulated depreciation	15,368
Principal payment on bonds	<u>(204,173)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(282,331)</u>

Cash Flows From Investing Activities:

Interest on cash and investments	<u>6,394</u>
Net Cash From Investing Activities	<u>6,394</u>

Net Increase in Cash And Cash Equivalents (184,842)

Cash and Cash Equivalents at Beginning of Year 621,180

Cash and Cash Equivalents at End of Year \$ 436,338

Cash and cash equivalents at end of year:

Cash and cash equivalents	\$ 274,115
Restricted assets	<u>162,223</u>
Total	<u><u>\$ 436,338</u></u>

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

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The Town complies with accounting principles generally accepted in the United States Of America (GAAP). GAAP includes all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting framework and the more significant accounting policies are discussed in subsequent sections of this note. For the fiscal year ended June 30, 2004, the Town has adopted the new financial reporting requirements of GASB Statements No. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

A. FINANCIAL REPORTING ENTITY - BASIS OF PRESENTATION

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

As the municipal governing authority, for reporting purposes, the Town of Oak Grove, Louisiana is considered a separate financial entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government could cause the statements to be misleading or incomplete.

In June, 1999, the GASB unanimously approved statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the presentation of its funds financial information include, for the first time a Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations and financial statements prepared using full accrual accounting for all fund activities. These and other changes are reflected in the accompanying financial statements including the notes to the financial statements. The Town has elected to implement the general provisions of the Statement in the current year and plans to report capital assets acquired prior to July 1, 2003.

B. FUNDS

The accounts of the Town are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements, as follows:

Governmental Funds

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

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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

B. FUNDS (Con't)

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

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

Debt Service Funds - account for transactions relating to resources retained and used for the payment of principal and interest on those long-term obligations.

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

Proprietary Funds

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

Proprietary funds for the Town include:

Enterprise Fund - Business-Type Activities

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS)

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

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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

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

Program Revenues

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

Allocation of Indirect Expenses

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

Fund Financial Statements (FFS)

Governmental Funds

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

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Town in September or October, are actually billed on October 1, and are mailed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year they are billed. The Town bills and collects its own property taxes using the assessed value determined by the tax assessor of West Carroll Parish. The year ended June 30, 2004, taxes of 18.03 mills were levied on property with assessed valuations totaling \$ 8,743,870, and were deducted as follows:

General corporate purposes	9.29 mills
Street Maintenance	6.25 mills
Cemetery	2.49 mills

(Continued)

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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

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

Revenues (cont'd.)

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

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

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

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

Expenditures

Salaries are recorded as expenditures when earned by employees.

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

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

Other Financing Sources (Uses)

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

Operating Revenues and Expenses

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

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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

D. BUDGETS

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

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

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Oak Grove may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Some of the cash and cash equivalents are restricted. Cash deposits are reported at carrying amount which reasonably approximates fair value.

F. INVESTMENTS

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

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

H. ELIMINATION AND RECLASSIFICATIONS

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

I. INVENTORY

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

J. CAPITAL ASSETS

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

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

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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

K. COMPENSATED ABSENCES

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

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

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

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

L. RESTRICTED NET ASSETS

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

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

Imposed by law through constitutional provisions or enabling legislation.

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

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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

M. FUND EQUITY

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

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

N. INTERFUND ACTIVITY

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

O. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

When comparing budget to actual amounts for the year ended June 30, 2004, the following fund had unfavorable variances greater than 5%:

Excess of Actual Expenditures over Budget Appropriations.

The following individual fund had actual expenditures five percent or more over budgeted expenditures for the year ended June 30 2004;

	Budget	Actual	Unfavorable Variance
General Fund	\$ 357,440	\$ 448,944	\$ (91,504)

NOTE 3. INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes and the Town's charter. The investments of the Town are categorized to give an indication of the level of risk assumed by the Town at June 30, 2004. The categories are described as follows:

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

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

At June 30, 2004, the Town had cash and cash equivalents totaling \$538,998, as follows:

Cash on hand	\$	225
Demand deposits		538,773
Certificates of deposit		<u>2,081,089</u>
Total	\$	<u>2,620,087</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, 2004, the Town had \$2,633,497 in deposits (collected bank balances). The deposits are secured by \$389,123 of federal deposit insurance (Category 1) and \$2,244,374 of pledged securities (Category 2) held by the custodial bank.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 5 - RECEIVABLES

The following is a summary of receivables at June 30, 2004:

	<u>General</u>	<u>Sales Tax</u>	<u>Street</u>	<u>Utility Enterprise</u>	<u>Total</u>
Taxes:					
Franchise tax	\$ 12,816	\$ -	\$ -	\$ -	\$ 12,816
Sales	-	35,251	-	-	35,251
Industrial park lease	100,946	-	-	-	100,946
Other	6,553	-	24	-	6,577
Utilities:					
Billed utilities	-	-	-	44,131	44,131
Total	\$ 120,315	\$ 35,251	\$ 24	\$ 44,131	\$ 199,721

The accounts receivable in the utility enterprise fund is net of the allowance for doubtful accounts of \$2,924.

NOTE 6 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2004, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Cost				
Land	\$ 28,000	\$ -	\$ -	\$ 28,000
Exhaustible capital assets				
Buildings	1,660	-	-	1,660
Building improvements	18,750	-	-	18,750
Other improvements	1,270	-	-	1,270
Infrastructure	2,536,545	-	-	2,536,545
Furniture and equipment	155,709	9,167	-	164,876
Vehicles	152,809	-	-	152,809
	<u>2,894,743</u>	<u>9,167</u>	<u>-</u>	<u>2,903,910</u>
Accumulated Depreciation				
Buildings	1,660	-	-	1,660
Building Improvements	4,128	1,496	-	5,624
Infrastructure	192,854	64,334	-	257,188
Furniture and equipment	101,646	6,954	-	108,600
Vehicles	82,046	19,529	-	101,575
	<u>382,334</u>	<u>92,313</u>	<u>-</u>	<u>474,647</u>
Capital assets, net	<u>\$ 2,512,409</u>	<u>\$ (83,146)</u>	<u>\$ -</u>	<u>\$ 2,429,263</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 6 - CAPITAL ASSETS (cont'd.)

Depreciation expense was charged to governmental activities as follows:

General Fund	\$	16,590
Cemetery Fund		729
Street Fund		74,993
Total	\$	<u>92,312</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Cost				
Land	\$ 10,756	\$ -	\$ -	\$ 10,756
Exhaustible capital assets				
Buildings	1,815	-	-	1,815
Infrastructure	5,067,731	84,359	-	5,152,090
Furniture and equipment	121,184	-	-	121,184
Vehicles	101,915	-	(6,850)	95,065
	<u>\$ 5,303,401</u>	<u>\$ 84,359</u>	<u>\$ (6,850)</u>	<u>5,380,910</u>
Accumulated Depreciation				
Buildings	\$ 121	\$ 121	-	\$ 242
Infrastructure	1,516,006	135,818	-	1,651,824
Furniture and equipment	83,430	6,275	-	89,705
Vehicles	81,041	6,489	(6,850)	80,680
	<u>1,680,598</u>	<u>148,703</u>	<u>(6,850)</u>	<u>1,822,451</u>
Capital assets net	<u>3,622,803</u>	<u>(64,344)</u>	<u>-</u>	<u>3,558,459</u>
Total capital assets, net	<u>\$ 6,135,212</u>	<u>\$ (147,490)</u>	<u>\$ -</u>	<u>\$ 5,987,722</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 7 - ACCOUNTS, SALARIES AND OTHER PAYABLES

The payables at June 30, 2004, are as follows:

	<u>General</u>	<u>Sales Tax</u>	<u>Street Fund</u>	<u>Cemetery Fund</u>	<u>Industrial Park</u>	<u>Enterprise</u>
Accounts payable	\$ 102,643	\$ 1,050	\$ 1,271	\$ 202	\$ 68,002	\$ 3,820
Compensated absences	688	1,622				579
Payroll taxes	53	124				44
Total	<u>\$ 103,384</u>	<u>2,796</u>	<u>\$ 1,271</u>	<u>\$ 202</u>	<u>\$ 68,002</u>	<u>\$ 4,443</u>

NOTE 8 - COMPENSATED ABSENCES

Compensated absences were used during the year in the amount of \$10,344. The balance remaining at June 30, 2004 was \$31,319.

NOTE 9 - LONG TERM OBLIGATIONS

	<u>General Obligation</u>	<u>1973 Revenue Bonds</u>	<u>1998 Revenue Bond</u>	<u>Total</u>
Bonds payable at July 1, 2003	\$ 2,265,000	\$ 81,000	\$ 797,776	\$ 3,143,776
New bonds issued	-	-	-	-
Bonds retired	105,000	81,000	205,142	391,142
Bonds payable at June 30, 2004	<u>\$ 2,160,000</u>	<u>\$ -</u>	<u>\$ 592,634</u>	<u>\$ 2,752,634</u>

Bonds payable at June 30, 2004, are comprised of the following issues:

General Obligation Bonds:

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

\$ 2,160,000

Revenue Bond:

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

592,634

Total \$ 2,752,634

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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

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

Year ending June 30,

	<u>General Obligation</u>	<u>1998 Revenue Bonds</u>	<u>Total</u>
2005	115,000	15,784	130,784
2006	120,000	17,047	137,047
2007	125,000	17,116	142,116
2008	130,000	17,259	147,259
2009	135,000	13,372	148,372
Thereafter	1,535,000	512,056	2,047,056
Total	\$ 2,160,000	\$ 592,634	\$ 2,752,634

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 \$143,518.

NOTE 10 - LEASES

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

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

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

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 10 - LEASES (Cont'd.)

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

NOTE 11 - PENSION COST

Municipal Employees' Retirement System

Plan Description

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

Funding Policy

Plan members are required to contribute 5% of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The rate at June 30, 2004, for the Town of Oak Grove was 7.75% of the annual covered payroll. The contribution requirements of plan members and the Town of Oak Grove are established and may be amended by the Municipal Employees' Retirement System Board of Trustees. The Town's contributions to the Municipal Employees' Retirement System for the years ending June 30, 2002, 2003 and 2004 were \$23,712, \$26,652 and \$31,910, respectively, equal to the required contributions for each year.

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

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 11 - PENSION COST (Cont'd.)

Municipal Police Retirement System

Plan Description

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

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

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211 - 11:2233. The Municipal Police Employees' Retirement System issues a publicly available financial report that includes financial statements and required by supplementary information for the Municipal Police Employees' Retirement System. That report may be obtained by writing to Duplantier, Hrapmann & Maher, L.L.P., Certified Public Accountants, 1340 Poydras St., Suite 2000, New Orleans, LA 70112, or by calling (504)586-8866.

Funding Policy

Plan members are required to contribute 7.5% of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The current rate for the Town of Oak Grove is 15.25% of the annual covered payroll. The contribution requirements of plan members and the Town of Oak Grove are established and may be amended by the Municipal Police Employees' Retirement System's Board of Trustees. The Town's contributions to the retirement system for the years ending June 30, 2002, 2003 and 2004 were \$22,291, \$19,816 and \$28,402, respectively, equal to the required contributions for each year.

NOTE 12 - CONTINGENCIES

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

The Town paid American Wastewater Management \$70,846 for the year ended June 30, 2004, for managing of the sewer system for the Town and insuring that they are in compliance with the EPA.

According to the Town's legal counsel, there was no litigation pending at June 30, 2004.

NOTE 13 - RISK MANAGEMENT

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

(Continued)

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 14 - SUBSEQUENT EVENTS

There were no subsequent events that would be materially significant to the fair presentation of these financial statements for the June 30, 2004 period.

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

The prior period adjustment in the Proprietary Fund-Water and Sewer, was to increase accumulated depreciation for an understatement in depreciation expense in a prior period.

TOWN OF OAKGROVE
OAK GROVE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
Resources (Inflows):				
Taxes:				
Ad valoren	\$ 78,200	\$ 82,731	\$ 81,175	\$ (1,556)
Fees, charges and commissions for services	209,700	213,600	232,979	19,379
Lease income	-	-	106,460	106,460
Use of money and property, interest earnings and rents	8,000	3,500	3,551	51
Other revenue	5,800	10,904	3,296	(7,608)
Amounts Available for Appropriation	<u>301,700</u>	<u>310,735</u>	<u>427,461</u>	<u>116,726</u>
Charges to Appropriations (Outflows):				
General government:				
Finance and administrative	194,267	187,000	179,443	7,557
Other general government	-	-	105,996	(105,996)
Public safety	148,040	161,185	161,896	(711)
Capital outlay	-	9,255	1,609	7,646
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>342,307</u>	<u>357,440</u>	<u>448,944</u>	<u>(91,504)</u>
Excess of Resources Over (Under)	<u>(40,607)</u>	<u>(46,705)</u>	<u>(21,483)</u>	<u>25,222</u>
Fund Balance at Beginning of Year	295,590	295,590	295,590	-
Prior Period Adjustment	-	-	8,064	8,064
FUND BALANCE AT END OF YEAR	<u><u>\$ 254,983</u></u>	<u><u>\$ 248,885</u></u>	<u><u>\$ 282,171</u></u>	<u><u>\$ 33,286</u></u>

TOWN OF OAKGROVE
OAK GROVE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows):				
Taxes:				
Sales tax	\$ 475,000	\$ 475,000	\$ 458,661	\$ (16,339)
Fees, charges and commissions for services	-	-	-	-
Use of money and property, interest earnings and rents	20,000	9,500	12,198	2,698
Other revenue	-	-	1,409	1,409
Amounts Available for Appropriation	<u>495,000</u>	<u>484,500</u>	<u>472,268</u>	<u>(12,232)</u>
Charges to Appropriations (Outflows):				
General government:				
Other general government	311,688	295,080	292,705	(2,375)
Capital outlay	-	-	-	-
Transfers to other funds	<u>217,287</u>	<u>217,287</u>	<u>218,287</u>	<u>1,000</u>
Total Charges to Appropriations	<u>528,975</u>	<u>512,367</u>	<u>510,992</u>	<u>(1,375)</u>
Excess of Resources Over (Under)	(33,975)	(27,867)	(38,724)	(10,857)
Fund Balance at Beginning of Year	860,171	860,171	860,171	-
Prior Period Adjustment	-	-	-	-
FUND BALANCE AT END OF YEAR	<u>\$ 826,196</u>	<u>\$ 832,304</u>	<u>\$ 821,447</u>	<u>\$ (10,857)</u>

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
BUSINESS-TYPE ACTIVITIES - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
Resources (Inflows):				
Water and sewer revenue	\$ 448,218	\$ 458,210	\$ 456,946	\$ (1,264)
Fees, charges and commissions for services	-	-	2,215	2,215
Grant income - LCDBG grant			84,359	84,359
Use of money and property, interest earnings and rents	10,000	4,300	6,394	2,094
Other revenue	10,239	9,784	7,166	(2,618)
Amounts Available for Appropriation	<u>468,457</u>	<u>472,294</u>	<u>557,080</u>	<u>84,786</u>
Charges to Appropriations (Outflows):				
Health and welfare	415,935	404,995	406,004	1,009
Interest on bonds	119,882	179,882	33,535	146,347
Depreciation	-	-	148,703	(148,703)
Capital outlay	-	-	-	-
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>535,817</u>	<u>584,877</u>	<u>588,242</u>	<u>3,365</u>
Excess of Resources Over (Under)	<u>(67,360)</u>	<u>(112,583)</u>	<u>(31,162)</u>	<u>81,421</u>
Fund Balance at Beginning of Year	3,369,607	3,369,607	3,369,606	-
Prior Period Adjustment	-	-	(15,368)	(15,368)
FUND BALANCE AT END OF YEAR	<u><u>\$ 3,302,247</u></u>	<u><u>\$ 3,257,024</u></u>	<u><u>\$ 3,323,076</u></u>	<u><u>\$ 66,053</u></u>

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
SCHEDULE OF COMPENSATION
PAID TO MAYOR AND TOWN COUNCIL
JUNE 30, 2004

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	Street Fund	Cemetery Fund	Economic Development Fund	Louisiana Purchase and Bicentennial Fund	Total
Assets:					
Cash and cash equivalents	\$ 160,133	\$ 212,262	\$ 330,957	\$ -	\$ 703,352
Investments	-	-	-	-	-
Receivables	24	-	-	-	24
Prepaid expenses	-	-	-	-	-
Due from other funds	-	-	-	-	-
TOTAL ASSETS	\$ 160,157	\$ 212,262	\$ 330,957	\$ -	\$ 703,376
Liabilities and fund equity:					
Liabilities:					
Accounts payable	\$ 1,271	\$ 202	\$ -	\$ -	\$ 1,473
Bank Overdraft	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	1,271	202	-	-	1,473
Fund equity:					
Fund balances:					
Reserved	-	-	-	-	-
Unreserved:					
Designated for equipment replacement	-	-	-	-	-
Undesignated	158,886	212,060	330,957	-	701,903
Total fund equity	158,886	212,060	330,957	-	701,903
TOTAL LIABILITIES AND FUND EQUITY	\$ 160,157	\$ 212,262	\$ 330,957	\$ -	\$ 703,376

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	Street Fund	Cemetery Fund	Economic Development Fund	Louisiana Purchase and Bicentennial Fund	Total
Revenues:					
Taxes:					
Ad valorem	\$ 54,701	\$ 21,757	\$ -	\$ -	\$ 76,458
Intergovernmental revenues:					
State funds:					
Grants				2,500	2,500
Fees and charges for services	-	7,175	-	-	7,175
Operating lease income	-	-	29,400	-	29,400
Use of money and property interest earnings and rents	1,289	2,689	3,588	-	7,566
Other revenues	-	1,033	-	75	1,108
Total revenues	55,990	32,654	32,988	2,575	124,207
Expenditures:					
Public works	44,376	14,062	798	-	59,236
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	3,015	3,015
Other	-	-	-	-	-
Capital outlay	4,256	500	-	-	4,756
Total expenditures	48,632	14,562	798	3,015	67,007
Excess (deficiency) of revenues over expenditures	7,358	18,092	32,190	(440)	57,200
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	(25,000)	-	(25,000)
Total other financing sources (uses)	-	-	(25,000)	-	(25,000)
Excess (deficiency) of revenues and other sources over expenditures and other uses	7,358	18,092	7,190	(440)	32,200
Fund balances, beginning	151,389	193,968	323,767	440	669,564
Prior period adjustments	139	-	-	-	139
Fund balances, ending	\$ 158,886	\$ 212,060	\$ 330,957	\$ -	\$ 701,903

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NON-MAJOR CAPITAL PROJECTS FUND
COMBINING BALANCE SHEET
JUNE 30, 2004

	Sidewalk and Street Lighting Fund	Sewer Improvements Fund	Total
Assets:			
Cash and cash equivalents	\$ 4,194	\$ 18,408	\$ 22,602
Investments	-	-	-
Receivables	-	-	-
Grant receivable	-	35,000	35,000
Due from other governments	-	25,000	25,000
	<u>4,194</u>	<u>78,408</u>	<u>82,602</u>
TOTAL ASSETS	\$ 4,194	\$ 78,408	\$ 82,602
 <i>Liabilities and fund equity:</i>			
Liabilities:			
Accounts payable	\$ -	\$ 68,002	\$ 68,002
Due to other funds	5	-	5
	<u>5</u>	<u>68,002</u>	<u>68,007</u>
Total liabilities	5	68,002	68,007
 Fund equity:			
Fund balances:			
Unreserved:			
Designated for future expenditures	4,189	10,406	14,595
	<u>4,189</u>	<u>10,406</u>	<u>14,595</u>
Total fund equity	4,189	10,406	14,595
TOTAL LIABILITIES AND FUND EQUITY	\$ 4,194	\$ 78,408	\$ 82,602

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
NON-MAJOR CAPITAL PROJECT FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	Sidewalk and Street Lighting Fund	Sewer Improvements Fund	Total
Revenues:			
Grants	\$ -	\$ 35,000	\$ 35,000
Other taxes, penalties and interest, etc.	-	-	-
Use of money and property - interest and rent	-	8	8
Other revenues - donations	-	25,000	25,000
Total revenues	<u>-</u>	<u>60,008</u>	<u>60,008</u>
Expenditures:			
Operating services:			
Culture and recreation	-	-	-
Capital outlay	-	74,602	74,602
Total expenditures	<u>-</u>	<u>74,602</u>	<u>74,602</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(14,594)</u>	<u>(14,594)</u>
Other financing sources (uses):			
Operating transfers in	-	25,000	25,000
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Excess (deficiency) of revenues and other and other sources over expenditures and other uses	<u>-</u>	<u>10,406</u>	<u>10,406</u>
Fund balance, beginning	<u>4,189</u>	<u>-</u>	<u>4,189</u>
Fund balance, ending	<u>\$ 4,189</u>	<u>\$ 10,406</u>	<u>\$ 14,595</u>

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SUMMARY OF AUDITOR'S RESULTS

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

FINDINGS - FINANCIAL STATEMENT AUDIT

I. Criteria:

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

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

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

Recommendation:

I recommended to the Town that they more closely monitor their budget to actual income and expenditures. Also, I recommended that if, in the future, they are required to administer state projects through their accounting system, they make every effort to contact the agency monitoring the project regarding an estimate of the costs of the project, so that the Town may add them to their budget for the fiscal year in which those revenues are received or expenditures paid.

Response:

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

FINDINGS - FINANCIAL STATEMENT AUDIT

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

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

Resolved in 2002-03. The Town was not in violation of this law. Reported in error.

2. Article VII, Section 14(A) of the Louisiana Constitution entitled "Donation, Loan or Pledge of Public Credit," states: "Prohibited Uses. Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged or donated to or for any person, association, or corporation, public or private."

Resolved 2003-04

MANAGEMENT LETTER

There was no management letter issued.

DARLA S. TURNER, CPA

A Professional Accounting Corporation
3001 Armand, Suite C, Monroe, La. 71201
(318) 323-8891

Member:
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2004, which collectively comprise the Town of Oak Grove, Louisiana's basic financial statements and have issued my report thereon dated December 8, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

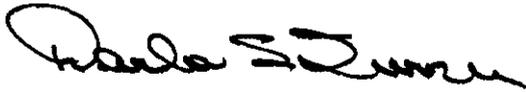
As part of obtaining reasonable assurance about whether the Town of Oak Grove, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and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

Internal Control Over Financial Reporting:

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

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

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



DARLA S. TURNER
CERTIFIED PUBLIC ACCOUNTANT

Monroe, Louisiana
December 8, 2004