

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR
ENDED JUNE 30, 2008**

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 1/7/09

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

**TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2008**

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances	10
Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures and Changes in Fund Balances to The Statement of Activities	11
Proprietary Fund - Water and Sewer Fund:	
Statement of Net Assets	12
Statement of Revenues, Expenses and Changes in Net Assets	13
Statement of Cash Flows	14
Notes to the Financial Statements	15-31
REQUIRED SUPPLEMENTAL INFORMATION (PART II)	
Budgetary Comparison Schedules:	
General Fund	32
Special Revenue Fund - Sales Tax Fund	33
Special Revenue Fund - Street Fund	34
Special Revenue Fund - Economic Development Fund	35
OTHER SUPPLEMENTAL SCHEDULES	
Nonmajor Governmental Funds:	
Combining Balance Sheet	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	37
Schedule of Compensation Paid Officials	38
OTHER REPORTS	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39-40
Schedule of Findings	41
Status of Prior Audit Findings	42
Management Letter	43-44



Hulsey, Harwood & Co.

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

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, 2008, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008, on our consideration of the Town of Oak Grove, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Town of Oak Grove
Independent Auditor's Report
June 30, 2008

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 32 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor 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

Hulsey, Harwood & Co.

December 11, 2008

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2008

Our discussion and analysis of the Town provides an overview of the Town's activities for the year ended June 30, 2008. 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, 2008 net assets were as follows:

NET ASSETS

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 3,201,127	\$ 2,998,116
Capital assets (net)	<u>5,839,816</u>	<u>5,985,629</u>
Total assets	<u>9,040,943</u>	<u>8,983,745</u>
Liabilities:		
Current	271,135	263,427
Long-term	<u>2,006,894</u>	<u>2,166,879</u>
Total liabilities	<u>2,278,029</u>	<u>2,430,306</u>
Net assets:		
Invested in capital assets, net of debt	3,682,580	3,647,308
Restricted	602,322	575,507
Unrestricted	<u>2,478,012</u>	<u>2,330,624</u>
Total net assets	<u>\$ 6,762,914</u>	<u>\$ 6,553,439</u>

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2008

For the year ended June 30, 2008, net assets changed as follows:

	CHANGE IN NET ASSETS	
	<u>2008</u>	<u>2007</u>
Program revenues:		
Charges for services	\$ 532,873	\$ 538,501
Operating grants and contributions	22,872	24,660
Capital grants and contributions	52,393	295,280
General revenues:		
Property taxes	181,754	164,863
Sales taxes	635,619	612,047
Other taxes	212,387	78,476
Other	143,473	232,800
Total revenues	<u>1,781,371</u>	<u>1,946,627</u>
Expenses:		
General government	540,616	467,642
Public safety	212,332	207,250
Highways and streets	163,953	232,707
Health and welfare	78	117,787
Interest expense	83,829	89,013
Water and sewer	571,088	563,745
Total expenses	<u>1,571,896</u>	<u>1,678,144</u>
Change in net assets	209,475	268,483
Net assets at beginning of year	<u>6,553,439</u>	<u>6,284,956</u>
Net assets at end of year	<u>\$ 6,762,914</u>	<u>\$6,553,439</u>

BUDGETARY HIGHLIGHTS

During the year, in the General Fund, there was a \$93,635 increase in anticipated revenues. It was mainly due to grant projects which included \$79,398, for a tractor, playground equipment, police equipment, a police car and equipment for a car. The remainder of the increase is attributed to additional revenues from property taxes, occupational licenses, insurance premium taxes and franchise fees. Budgeted expenditures were increased by \$19,093 mainly because of increase in the cost of gas, insurance, utilities, and salary increases.

During the year in the Sales Tax Fund, there was a \$19,500 increase in anticipated revenues. This was primarily due to expected interest earnings on higher balances in certificates of deposits and expected grant revenue for playground equipment which was ultimately recognized in the General Fund. There was a \$54,680 increase in appropriations due to increases in insurance, salaries, payroll taxes, and the purchase of new playground equipment for the park.

In the Street Fund, budgeted grant revenue was increased by \$7,663, due to expected increases in property tax revenue and interest earned. Budgeted expenditures were increased \$55,200 due to plans to purchase a new tractor and mowing machine.

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2008

There were no significant changes in the Economic Development Fund's budgeted revenue. Budgeted expenditures were decreased by \$14,450, due to no major equipment development projects during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the Town's investment in capital assets for its governmental and business-type activities amounts to \$5,839,816 (net of accumulated depreciation). This investment includes buildings and improvements, vehicles, machinery, equipment and land.

This year's additions of \$107,651 include a tractor and mowing machines, police equipment and equipment to equip a police car, two (2) computers for the police department, software, two (2) bullet proof vests, playground equipment and lighting for the park, software for accounting, a printer, Christmas decorations and courtyard and beautification for downtown Oak Grove.

Debt

At year end, the Town had a total of \$1,690,000 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 \$467,236, 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 \$27,873 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, 2008**

ASSETS	Primary Government		Total
	Governmental Activities	Business-type Activities	
Cash and cash equivalents	\$2,626,957	\$ 369,118	\$ 2,996,075
Receivables, net of allowance for uncollectibles	134,915	52,104	187,019
Inventories	-	9,150	9,150
Prepaid expenses	-	8,883	8,883
Capital assets not being depreciated	34,270	10,756	45,026
Capital assets net of accumulated depreciation	2,632,731	3,162,059	5,794,790
TOTAL ASSETS	5,428,873	3,612,070	9,040,943
LIABILITIES			
Accounts payable	10,468	564	11,032
Payroll and related liabilities	13,333	4,368	17,701
Accrued liabilities	-	4,596	4,596
Customer deposits payable	-	56,731	56,731
Due to others	2,860	-	2,860
Due within one year	138,081	40,134	178,215
Due in more than one year	1,568,795	438,099	2,006,894
TOTAL LIABILITIES	1,733,537	544,492	2,278,029
NET ASSETS			
Investment in capital assets, net of related debt	977,001	2,705,579	3,682,580
Restricted for debt service	393,830	208,492	602,322
Unrestricted	2,324,505	153,507	2,478,012
TOTAL NET ASSETS	\$3,695,336	\$3,067,578	\$ 6,762,914

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, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL BUSINESS-TYPE ACTIVITIES		TOTAL
					ACTIVITIES	ACTIVITIES	
Governmental activities:							
General government	\$ 540,616	\$ 64,051	\$ -	\$ -	\$ (476,565)	\$ (476,565)	\$ (476,565)
Public safety	212,332	32,219	22,872	9,893	(147,348)	(147,348)	(147,348)
Highways and streets	163,953	-	-	32,500	(131,453)	(131,453)	(131,453)
Health and welfare	78	-	-	-	(78)	(78)	(78)
Culture and recreation	-	-	-	10,000	10,000	10,000	10,000
Interest expense	83,829	-	-	-	(83,829)	(83,829)	(83,829)
Total governmental activities	<u>1,000,808</u>	<u>96,270</u>	<u>22,872</u>	<u>52,393</u>	<u>(829,273)</u>	<u>(829,273)</u>	<u>(829,273)</u>
Business-type activities:							
Water and sewer	571,088	436,603	-	-	-	-	\$ (134,485)
Total business-type activities	<u>571,088</u>	<u>436,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,485)</u>
Total primary government	<u>\$ 1,571,896</u>	<u>\$ 532,873</u>	<u>\$ 22,872</u>	<u>\$ 52,393</u>	<u>(829,273)</u>	<u>(134,485)</u>	<u>(963,758)</u>
General revenues:							
Property taxes					181,754		181,754
Sales and use taxes					635,619		635,619
Franchise taxes					75,928		75,928
Licenses and permits					133,069		133,069
Other taxes, penalties and interest					3,390		3,390
Unrestricted investment earnings					102,396	22,735	125,131
Gain on sale of capital assets					8,000	-	8,000
Other					7,072	3,270	10,342
Total general revenues and transfers					<u>1,147,228</u>	<u>26,005</u>	<u>1,173,233</u>
Change in net assets					<u>317,955</u>	<u>(108,480)</u>	<u>209,475</u>
Net assets at beginning of year					<u>3,377,381</u>	<u>3,176,058</u>	<u>6,553,439</u>
Net assets at end of year					<u>\$ 3,695,336</u>	<u>\$ 3,067,578</u>	<u>\$ 6,762,914</u>

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

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2008**

ASSETS	General	Sales Tax	Street	Economic Development	Debt Service	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$369,177	\$1,042,094	\$161,192	\$384,117	\$-	\$276,547	\$2,233,127
Cash and cash equivalents - restricted	-	-	-	-	393,830	-	393,830
Accounts receivable	21,259	113,656	-	-	-	-	134,915
TOTAL ASSETS	\$390,436	\$1,155,750	\$161,192	\$384,117	\$393,830	\$276,547	\$2,761,872

LIABILITIES AND FUND BALANCES

Liabilities:							
Accounts payable	\$6,032	\$3,148	\$1,002	\$-	\$-	\$286	\$10,468
Payroll and related liabilities	6,887	1,362	-	-	-	113	8,362
Unearned revenue	-	56,464	-	-	-	-	56,464
Due to others	2,860	-	-	-	-	-	2,860
Total liabilities	15,779	60,974	1,002	-	-	399	78,154
Fund balances:							
Reserved for debt service	-	-	-	-	393,830	-	393,830
Unreserved - undesignated	374,657	1,094,776	160,190	384,117	-	276,148	2,289,888
Total fund balances	374,657	1,094,776	160,190	384,117	393,830	276,148	2,683,718
TOTAL LIABILITIES AND FUND BALANCES	\$390,436	\$1,155,750	161,192	\$384,117	\$393,830	\$276,547	\$2,761,872

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 STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

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

Total fund balances	\$ 2,683,718
Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	2,667,001
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	56,464
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,711,847)</u>
Net assets of governmental activities	<u><u>\$ 3,695,336</u></u>

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Sales Tax Fund	Street Fund	Economic Development Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 94,496	\$ -	\$ 62,396	\$ -	\$ -	\$ 24,862	\$ 181,754
Sales and use taxes	-	631,737	-	-	-	-	631,737
Franchise taxes	75,928	-	-	-	-	-	75,928
Other taxes, penalties and interest	3,390	-	-	-	-	-	3,390
Licenses and permits	133,069	-	-	-	-	-	133,069
Intergovernmental revenues	42,766	-	32,500	-	-	-	75,266
Charges for services	20,801	-	-	-	-	9,900	30,701
Fines	32,219	-	-	-	-	-	32,219
Lease income	33,350	-	-	-	-	-	33,350
Interest earned	9,784	43,644	8,766	14,829	11,581	13,792	102,396
Other revenues	5,752	841	-	-	-	478	7,071
Total revenues	451,555	676,222	103,662	14,829	11,581	49,032	1,306,881
Expenditures:							
Current:							
General government	185,222	307,349	-	272	-	-	492,843
Public safety	212,332	-	-	-	-	-	212,332
Highways and streets	-	-	64,270	29	-	9,825	74,124
Debt service - principal	-	-	-	-	125,000	-	125,000
Debt service - interest	-	-	-	-	83,829	-	83,829
Capital outlay	20,081	12,375	51,590	-	-	23,030	107,076
Total expenditures	417,635	319,724	115,860	301	208,829	32,855	1,095,204
Excess (deficiency) of revenues over (under) expenditures	33,920	356,498	(12,198)	14,528	(197,248)	16,177	211,677
Other financing sources (uses):							
Transfers in	-	-	-	-	214,644	-	214,644
Transfers out	-	(214,644)	-	-	-	-	(214,644)
Sale of capital assets	-	-	8,000	-	-	-	8,000
Total other financing sources and uses	-	(214,644)	8,000	-	214,644	-	8,000
Net change in fund balances	33,920	141,854	(4,198)	14,528	17,396	16,177	219,677
Fund balances at beginning of year	340,737	952,922	164,388	369,589	376,434	259,971	2,464,041
Fund balances at end of year	\$ 374,657	\$ 1,094,776	\$ 160,190	\$ 384,117	\$ 393,830	\$ 276,148	\$ 2,683,718

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

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Amounts reported for governmental activities in the statement of net assets are different because:	
Net change in fund balances - total governmental funds	\$ 219,677
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 expense exceeded capital outlays in the current period.	(29,690)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,882
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.	125,000
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.	<u>(914)</u>
Change in net assets of governmental activities	<u><u>\$ 317,955</u></u>

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

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

**PROPRIETARY FUND - WATER AND SEWER FUND
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 160,626
Receivables, net of allowance for uncollectibles	52,104
Inventories	9,150
Total current assets	<u>221,880</u>
Noncurrent assets:	
Cash and cash equivalents - restricted	208,492
Capital assets net of depreciation	3,172,815
Prepaid expenses	8,883
Total noncurrent assets	<u>3,390,190</u>
TOTAL ASSETS	<u>3,612,070</u>

LIABILITIES

Current liabilities:	
Accounts payable	564
Payroll and related liabilities	4,369
Compensated absences payable - current	2,990
Customer deposits payable	56,731
Accrued liabilities	4,596
Revenue bonds payable - current	37,144
Total current liabilities	<u>106,394</u>
Noncurrent liabilities:	
Compensated absences payable	8,006
Revenue bonds payable	430,092
Total noncurrent liabilities	<u>438,098</u>
TOTAL LIABILITIES	<u>544,492</u>

NET ASSETS

Invested in capital assets, net of related debt	2,705,579
Restricted for debt service	208,492
Unrestricted	153,507
TOTAL NET ASSETS	<u>\$ 3,067,578</u>

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

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

**PROPRIETARY FUND - WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

Operating revenues:	
Charges for sales and services:	
Water and sewer fees	\$ 436,603
Other revenues	3,270
Total operating revenues	<u>439,873</u>
Operating expenses:	
Administration	432,410
Depreciation expense	114,606
Total operating expenses	<u>547,016</u>
Operating income (loss)	<u>(107,143)</u>
Nonoperating revenues (expenses):	
Interest earned	22,735
Interest expense	(24,072)
Total nonoperating revenue (expenses)	<u>(1,337)</u>
Change in net assets	(108,480)
Net assets at beginning of year	<u>3,176,058</u>
Net assets at end of year	<u><u>\$ 3,067,578</u></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, 2008**

Cash flows from operating activities:	
Receipts from customers and users	\$ 435,240
Payments to suppliers	(321,473)
Payments to employees	<u>(117,602)</u>
Net cash provided (used) by operating activities	<u>(3,835)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(653)
Principal paid on capital debt	(36,013)
Interest paid on capital debt	(23,928)
Proceeds from sales of capital assets	<u>350</u>
Net cash provided (used) by capital and related financing activities	<u>(60,244)</u>
Cash flows from investing activities:	
Interest and dividends received	<u>25,272</u>
Net cash provided (used) by investing activities	<u>25,272</u>
Net increase (decrease) in cash and cash equivalents	(38,807)
Cash and cash equivalents, beginning of year (including amounts in restricted accounts)	<u>407,925</u>
Cash and cash equivalents, end of year (including amounts in restricted accounts)	<u>\$ 369,118</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (107,143)
Adjustments to reconcile operating income to cash provided (used) by operating activities:	
Depreciation expense	114,606
(Increase) decrease in accounts receivable	(801)
(Increase) decrease in prepaid items	(8,883)
Increase (decrease) in accounts payable	(5,689)
Increase (decrease) in due to other funds	(33)
Increase (decrease) in payroll related liabilities	4,005
Increase (decrease) in compensated absences payable	234
Increase (decrease) in customer deposits	1,994
Increase (decrease) in accrued liabilities	<u>(2,125)</u>
Total adjustments	<u>103,308</u>
Net cash provided (used) by operating activities	<u>\$ (3,835)</u>
Noncash investing, capital and financing activities:	
None	

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, 2008**

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-Tem.

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 Town 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 Town 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 meeting 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, 2008**

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 Town 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 Town.

The Town reports the following major governmental funds:

The General Fund is the Town'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, purchasing police equipment, and other legal purposes consistent with the Town's purpose.

The Street Special Revenue Fund accounts for property taxes dedicated to street maintenance.

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, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town 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 Town 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 Town'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, 2008.

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 Town'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, 2008**

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 are 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 shown 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. For the year ended June 30, 2008, taxes of 18.60 mills were levied on property with assessed valuations totaling \$9,742,876, as follows:

General corporate purposes	9.58 mills
Street maintenance	6.45 mills
Cemetery	2.57 mills

The following are the principal taxpayers and related property tax revenue for the Town:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Wal-mart Real Estate Business Trust	\$ 956,000	10%	\$ 17,782
Regions Bank	800,690	8%	14,893
Wal-mart Louisiana, LLC	743,230	8%	13,824
Totals	<u>\$2,499,920</u>	<u>26%</u>	<u>\$ 46,499</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Inventories

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

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
Computers and computer equipment	5-10
Furniture and equipment	5-20
Improvements other than buildings	10-50
Infrastructure	40
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, and 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences (continued)

A municipal employee, who is 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:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments.
2. Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the Town'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."

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2008, the Town has cash and cash equivalents (book balances) totaling \$2,996,075, as follows:

Cash and cash equivalents:	
Demand deposits	\$ 310,591
Time deposits	2,082,337
Other	825
Total	<u>2,393,753</u>
Cash and cash equivalents - restricted:	
Demand deposits	93,717
Time deposits	508,605
Total	<u>602,322</u>
Total	<u><u>\$ 2,996,075</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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$2,189,554 of the Town's bank balances of \$2,620,244 were exposed to custodial credit risk. The deposits were uninsured and collateral was held by the pledging bank's trust department and not in the Town's name.

NOTE 3 – RECEIVABLES

The following is a summary of receivables at June 30, 2008:

	<u>General</u>	<u>Sales Tax</u>	<u>Water/ Sewer</u>	<u>Total</u>
Receivables:				
Taxes and licenses	\$ 16,231	\$ 113,656	\$ -	\$ 129,887
Accounts	-	-	57,277	57,277
Other	5,028	-	-	5,028
Gross receivables	<u>21,259</u>	<u>113,656</u>	<u>57,277</u>	<u>192,192</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(5,173)</u>	<u>(5,173)</u>
Net total receivables	<u>\$ 21,259</u>	<u>\$ 113,656</u>	<u>\$52,104</u>	<u>\$ 187,019</u>

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2008, follows:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Adjustments</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	<u>34,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,270</u>
Capital assets being depreciated:					
Infrastructure	2,839,652	12,981	-	-	2,852,633
Buildings	371,637	-	-	-	371,637
Building improvements	175,181	(25,688)	-	-	149,493
Furniture and equipment	235,521	20,955	95,453	(7,402)	344,527
Vehicles	200,538	(8,725)	11,545	(2,405)	200,953
Total capital assets being depreciated	<u>3,822,529</u>	<u>(477)</u>	<u>106,998</u>	<u>(9,807)</u>	<u>3,919,243</u>
Less accumulated depreciation for:					
Infrastructure	474,146	8,533	77,266	-	559,945
Buildings	336,637	-	17,500	-	354,137
Building improvements	97,813	(6,067)	5,562	-	97,308
Furniture and equipment	143,237	(1,530)	16,841	(7,402)	151,146
Vehicles	109,135	(2,273)	19,519	(2,405)	123,976
Total accumulated depreciation	<u>1,160,968</u>	<u>(1,337)</u>	<u>136,688</u>	<u>(9,807)</u>	<u>1,286,512</u>
Total capital assets being depreciated	<u>2,661,561</u>	<u>860</u>	<u>(29,690)</u>	<u>-</u>	<u>2,632,731</u>
Governmental activities, capital assets, net	<u>\$ 2,695,831</u>	<u>\$ 860</u>	<u>\$ (29,690)</u>	<u>\$ -</u>	<u>\$ 2,667,001</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 4 - CAPITAL ASSETS (Continued)

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 10,756	\$ -	\$ -	\$ -	\$ 10,756
Capital assets being depreciated:					
Infrastructure	5,278,874	(12,306)	-	-	5,266,568
Buildings	1,815	-	-	-	1,815
Building improvements	-	16,982	-	-	16,982
Furniture and equipment	129,357	(2,267)	653	-	127,743
Vehicles	101,065	(2,809)	-	(9,418)	88,838
Total capital assets being depreciated	5,511,111	(400)	653	(9,418)	5,501,946
Less accumulated depreciation for:					
Infrastructure	2,028,541	(2,889)	106,794	-	2,132,446
Buildings	605	-	121	-	726
Building improvements	-	9,175	564	-	9,739
Furniture and equipment	109,130	424	5,927	-	115,481
Vehicles	93,792	(4,079)	1,200	(9,418)	81,495
Total accumulated depreciation	2,232,068	2,631	114,606	(9,418)	2,339,887
Total capital assets being depreciated	3,279,043	(3,031)	(113,953)	-	3,162,059
Business-type activities, capital assets, net	\$ 3,289,799	\$ (3,031)	\$ (113,953)	\$ -	\$ 3,172,815

Depreciation expense was charged as follows:

Governmental activities:

General government	\$ 37,309
Highways and Streets	99,379
Total	<u>\$ 136,688</u>

Business-type activities - water/sewer

\$ 114,606

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

During the year ended June 30, 2008, the Sales Tax Fund transferred \$214,644 to the Debt Service Fund.

Transfers are used to (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, and (3) move *unrestricted general fund revenues to finance various programs that the Town 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 original five-year lease term began July 10, 2001, and ended July 10, 2006.

According to the term of the lease, the lessee was required to pay nonmonetary rental to the lessor for the period beginning July 11, 2001, through January 10, 2002. The 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 twenty-four 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 year periods on the same terms and conditions as the original lease. At the end of the second five year term and if applicable, the third five year term, the lessee has the option to extend the lease for an additional five year period 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 twenty-four 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 sixty days after the end of the initial twenty-four month period of the lease or within sixty 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.

On June 5, 2006, the lessee exercised its right to extend the lease for an additional five years ending on July 10, 2011.

The warehouse is included in governmental activities capital assets at a cost of \$350,000. Accumulated depreciation as of June 30, 2008 was \$332,500.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 6 – LEASES (Continued)

The Town entered into a second operating lease with the lessee on April 1, 2002, and ending March 31, 2007, for the land on which the above warehouse is situated. The lease was renewed for an additional five year term ending on March 31, 2012. The lessee is to pay the Town \$1,000 per month or 10% of the gross earnings per month, whichever sum is greater. The lease allows the 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 Town 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 Town also issues bonds where the Town pledges income derived from the acquired or constructed asset to pay debt service.

Bonds payable at June 30, 2008, 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 of \$90,000 commencing December 1, 2000 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. **\$ 1,690,000**

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. **467,236**

Total **\$ 2,157,236**

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 7 - LONG TERM OBLIGATIONS (Continued)

Long-term liability activity for the year ended June 30, 2008, 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 obligation bonds payable	\$ 1,815,000	\$ -	\$(125,000)	\$ 1,690,000	\$ 135,000
Compensated absences	20,072	5,486	(8,681)	16,876	3,081
Governmental activity long-term liabilities	<u>\$ 1,835,072</u>	<u>\$ 5,486</u>	<u>\$(133,681)</u>	<u>\$ 1,706,876</u>	<u>\$ 138,081</u>
Business-type activities:					
Revenue bonds payable	\$ 503,249	\$ -	\$ (36,013)	\$ 467,236	\$ 37,144
Compensated absences	10,762	7,358	(7,123)	10,997	2,990
Business-type activity long-term liabilities	<u>\$ 514,011</u>	<u>\$ 7,358</u>	<u>\$ (43,136)</u>	<u>\$ 478,233</u>	<u>\$ 40,134</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>
2009	\$ 135,000	\$ 76,990	\$ 37,144	\$ 23,880
2010	140,000	70,905	38,955	22,122
2011	145,000	64,527	40,854	20,278
2012	155,000	57,700	42,846	18,345
2013	165,000	50,258	44,934	15,007
2014-2018	950,000	121,190	262,503	37,202
Totals	<u>\$ 1,690,000</u>	<u>\$ 441,570</u>	<u>\$ 467,236</u>	<u>\$ 136,834</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 \$107,901.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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.

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 6.75% 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's contributions to the System under Plan B for the years ended June 30, 2008, 2007, and 2006, were \$18,819, \$22,519, and \$23,580, 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, 2008**

NOTE 8 – RETIREMENT SYSTEMS (Continued)

Municipal Police Employees Retirement System of Louisiana (System)

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 $3 \frac{1}{3}\%$ 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.

Municipal Police Employees Retirement System of Louisiana (System) (Continued)

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 13.75% 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, 2008, 2007, and 2006, were \$20,051, \$17,412, and \$19,203, respectively, equal to the required contributions for each year.

NOTE 9 – ON-BEHALF PAYMENTS

Certain employees in the Town's police department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$22,872. The related expenditures are included in public safety in the General Fund.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 10 – 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 to ensure compliance with the EPA regulations.

There was no litigation pending at June 30, 2008.

NOTE 11 - 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.

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, 2008**

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget
Revenues:				
Taxes	\$ 161,800	\$ 165,437	\$ 173,814	\$ 8,377
Licenses and permits	126,500	131,000	133,069	2,069
Intergovernmental revenues	-	79,398	42,766	(36,632)
Charges for services	12,700	15,800	20,801	5,001
Fines	24,000	29,000	32,219	3,219
Lease income	35,400	35,400	33,350	(2,050)
Interest earned	11,000	11,000	9,784	(1,216)
Other revenues	5,000	3,000	5,752	2,752
Total revenues	<u>376,400</u>	<u>470,035</u>	<u>451,555</u>	<u>(18,480)</u>
Expenditures:				
Current:				
General government	178,232	181,446	185,222	(3,776)
Public safety	188,000	195,000	212,332	(17,332)
Capital outlay	-	8,879	20,081	(11,202)
Total expenditures	<u>366,232</u>	<u>385,325</u>	<u>417,635</u>	<u>(32,310)</u>
Excess (deficiency) of revenues over expenditures	<u>10,168</u>	<u>84,710</u>	<u>33,920</u>	<u>(50,790)</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>(93,260)</u>	<u>-</u>	<u>93,260</u>
Net change in fund balances	10,168	(8,550)	33,920	42,470
Fund balances at beginning of year	340,737	340,737	340,737	-
Fund balances at end of year	<u>\$ 350,905</u>	<u>\$ 332,187</u>	<u>\$ 374,657</u>	<u>\$ 42,470</u>

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

**SPECIAL REVENUE FUND - SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 600,000	\$ 600,000	\$ 631,737	\$ 31,737
Intergovernmental revenues	-	10,000	-	(10,000)
Interest earned	34,000	43,500	43,644	144
Other revenues	-	-	841	841
Total revenues	<u>634,000</u>	<u>653,500</u>	<u>676,222</u>	<u>22,722</u>
Expenditures:				
Current:				
General government	288,080	319,860	307,349	12,511
Capital outlay	15,000	37,900	12,375	25,525
Total expenditures	<u>303,080</u>	<u>357,760</u>	<u>319,724</u>	<u>38,036</u>
Excess (deficiency) of revenues over expenditures	<u>330,920</u>	<u>295,740</u>	<u>356,498</u>	<u>60,758</u>
Other financing sources (uses):				
Transfers out	(213,059)	(213,059)	(214,644)	(1,585)
Total other financing sources (uses)	<u>(213,059)</u>	<u>(213,059)</u>	<u>(214,644)</u>	<u>(1,585)</u>
Net change in fund balances	117,861	82,681	141,854	59,173
Fund balances at beginning year	952,922	952,922	952,922	-
Fund balances at end of year	<u>\$ 1,070,783</u>	<u>\$1,035,603</u>	<u>\$ 1,094,776</u>	<u>\$ 59,173</u>

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

**SPECIAL REVENUE FUND - STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 57,280	\$ 62,843	\$ 62,396	\$ (447)
Intergovernmental revenues	-	-	32,500	32,500
Interest earned	6,500	8,600	8,766	166
Total revenues	63,780	71,443	103,662	32,219
Expenditures:				
Current:				
Highways and streets	62,000	65,000	64,270	(730)
Capital outlay	-	52,200	51,590	(610)
Total expenditures	62,000	117,200	115,860	(1,340)
Excess (deficiency) of revenues over expenditures	1,780	(45,757)	(12,198)	33,559
Other financing sources (uses):				
Transfers in	-	32,500	-	(32,500)
Gain (loss) on sale of capital assets	-	(8,000)	(8,000)	-
Total other financing sources (uses)	-	40,500	(8,000)	(32,500)
Net change in fund balances	1,780	(5,257)	(4,198)	1,059
Fund balances at beginning of year	164,388	164,388	164,388	-
Fund balances at end of year	\$ 166,168	\$ 159,131	\$ 160,190	\$ 1,059

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

**SPECIAL REVENUE FUND - ECONOMIC DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Interest earned	\$ 13,000	\$ 14,700	\$ 14,829	\$ 129
Total revenues	<u>13,000</u>	<u>14,700</u>	<u>14,829</u>	<u>129</u>
Expenditures:				
Current:				
General government	15,000	1,050	272	(778)
Highways and streets	<u>1,000</u>	<u>500</u>	<u>29</u>	<u>(471)</u>
Total expenditures	<u>16,000</u>	<u>1,550</u>	<u>301</u>	<u>(1,249)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,000)</u>	<u>13,150</u>	<u>14,528</u>	<u>1,378</u>
Net change in fund balances	(3,000)	13,150	14,528	1,378
Fund balances at beginning of year	<u>369,589</u>	<u>369,589</u>	<u>369,589</u>	-
Fund balances at end of year	<u>\$ 366,589</u>	<u>\$ 382,739</u>	<u>\$ 384,117</u>	<u>\$ 1,378</u>

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

**NONMAJOR GOVERNMENTAL FUND - SPECIAL REVENUE FUND -
CEMETERY FUND
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2008**

ASSETS	
Cash and cash equivalents	<u>\$276,547</u>
TOTAL ASSETS	<u><u>\$276,547</u></u>
LIABILITIES	
Accounts payable	\$ 286
Payroll and related liabilities	<u>113</u>
TOTAL LIABILITIES	<u>399</u>
FUND BALANCES	
Unreserved, undesignated	<u>276,148</u>
TOTAL FUND BALANCES	<u>276,148</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$276,547</u></u>

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

**NONMAJOR GOVERNMENTAL FUND - SPECIAL REVENUE FUND -
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008**

Revenues:	
Taxes	\$ 24,862
Charges for services	9,900
Interest earned	13,792
Other revenues	478
Total revenues	<u>49,032</u>
Expenditures:	
Current:	
Highways and streets	9,825
Capital outlay	23,030
Total expenditures	<u>32,855</u>
Excess (deficiency) of revenues over expenditures	<u>16,177</u>
Net change in fund balances	16,177
Fund balances at beginning of year	259,971
Fund balances at end of year	<u><u>\$276,148</u></u>

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

**SCHEDULE OF COMPENSATION TO MAYOR AND TOWN COUNCIL
FOR THE YEAR ENDED JUNE 30, 2008**

Lavelle Brown, Mayor	\$18,000
Kent Elkins, Mayor Pro tem	1,800
Debra Hawthorne	500
Jim Holland	1,200
Robert McFarlin	1,200
W.B. Russell	1,200
Total	<u>\$23,900</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 governmental activities, business-type 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, 2008, which collectively comprise the Town of Oak Grove's basic financial statements and have issued our report thereon dated December 11, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Oak Grove's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Town of Oak Grove's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Oak Grove's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Oak Grove's financial statements that is more than inconsequential will not be prevented or detected by the Town of Oak Grove's internal control.

Town of Oak Grove
Oak Grove, Louisiana
Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance, etc.
June 30, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Oak Grove's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 noted certain matters that we reported to management of the Town of Oak Grove in a separate letter dated December 11, 2008.

This report is intended solely for the information and use of the Mayor, members of the Council, management, 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 11, 2008

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

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

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. No significant deficiencies are reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No reportable findings resulted from the financial statements audit.

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

**STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

2007-1 Water and Sewer Fund Internal Controls

Description: The department lacks a proper segregation of duties.

Status: Cleared.

2007-2 Governmental Funds' Internal Controls

Description: The department lacks a proper segregation of duties.

Status: Cleared.

ML 2007-1 Inadequate Support for Disbursements and Improper Posting

Description:

Status: See ML 2008-1



Hulse, 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-type 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, 2008, 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 a certain matter involving operational matters that is presented for your consideration. This letter does not affect our report dated December 11, 2008, 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 2008-1 Inadequate Support for Disbursements and Improper Posting

Comment

We selected a sample of twenty-five cash disbursements from the Water and Sewer Fund for testing. Out of the twenty-five tested, ten were not supported by proper purchase orders and one was not supported by a receipt or invoice.

Due to the errors in the Water and Sewer Fund, we selected an additional sample of fifteen disbursements and tested whether the disbursements were properly supported by invoices or receipts. There were no exceptions in the second sample.

Town of Oak Grove
2008 Management letter (Continued)

Recommendation We are aware that there was a personnel change during the year and that management believes the issues have been corrected. We reiterate the following prior recommendation: We recommend that management ensure that all employees understand that the purpose of purchase orders and the proper way to complete purchase orders. Purchase orders are a part of the Town's internal control. Their objective is to ensure that expenses are not incurred without consideration of the available budget and without proper authorization. A purchase order authorizes the employee to whom the purchase order is issued to purchase the item(s) listed at a price not to exceed the amount listed. Blank purchase orders should not be issued. The employee signing the purchase order represents that he or she has confirmed that the expense is necessary, reasonable and authorized by the budget. Since the purchase order should be obtained prior to ordering goods or services, the purchase order date should precede the invoice. Also, since the purchase order is an estimate, it is not necessary for the dollar amount to equal the invoice as long as the invoice amount does not significantly exceed the purchase order amount.

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

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 11, 2008