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TOWN OF OIL CITY, LOUISIANA

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2003

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 7-21-04



TOWN OF OIL CITY, LOUISIANA
Financial Statements
And Independent Auditor's Reports
As of and for the Year Ended December 31, 2003

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TOWN OF OIL CITY, LOUISIANA

**Financial Statements
And Independent Auditor's Reports
As of and for the Year Ended December 31, 2003**

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INDEPENDENT AUDITOR'S REPORT



Certified Public Accountants • Management Consultants • Business Advisors

INDEPENDENT AUDITOR'S REPORT

The Honorable Todd A. Hopkins, Mayor
and Members of the Board of Aldermen
Town of Oil City, Louisiana

We have audited the accompanying basic financial statements of the Town of Oil City, Louisiana, as of and for the year ended December 31, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Town of Oil City, Louisiana's management. Our responsibility is to express opinions on these basic 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 basic 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Town of Oil City, Louisiana, as of December 31, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Town of Oil City, Louisiana adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, in 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2004, on our consideration of the Town of Oil City, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed as Required Supplemental Information in the table of contents 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 an opinion on the basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Smith Pugh & Company, LLP

Smith, Pugh & Company, LLP

Certified Public Accountants

Shreveport, Louisiana

June 21, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Oil City, Louisiana (hereafter referred to as "Town") annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on December 31, 2003. Please read it in conjunction with the Town's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information in the first year, and that GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Town has elected to exclude the information in this report. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

In accordance with Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Town has started to depreciate capital assets resulting in a calculation of depreciation expense and accumulated depreciation as of December 31, 2003.

The Town experienced a decrease in its Net Assets by 16.30% (\$110,592) during the fiscal year ended December 31, 2003. As of December 31, 2003, the assets of the Town exceeded its liabilities by \$3,072,258. Of this amount \$750,629 (24.43%) is reported as "unrestricted net assets" and represents the amount available to be used to meet the Town's ongoing obligations to the citizens of Oil City, Louisiana.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules) in addition to the basic financial statements. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the Town - the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail.

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists users in assessing the Town's economic condition at the end of the year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting similar to methods used by most businesses. These statements report all revenues and expenses connected with the year even if cash has not been received or paid. The Town's financial statements contain only governmental activities. The government-wide financial statements include two statements:

- **The *statement of net assets*** presents all of the Town's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Town's net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- **The *statement of activities*** presents information showing how the Town's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, some revenues and some expenses that are reported in this statement will not result in cash flows until future years.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town are categorized as governmental funds.

- ***Governmental funds.*** The services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the year. Such information may be useful in evaluating the Town's near-term financing requirements. This approach is known as using the flow of financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Town's finances and assists in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of the funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, users may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental financial statement.

The Town has two governmental funds: the General Fund and the Special Revenue Fund, both are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The funds financial statements can be found immediately following the government-wide financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the funds financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund and Special Revenue Fund. Annual budgets are prepared in accordance with the Generally Accepted Accounting Principles (GAAP).

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

Net Assets

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's assets exceeded liabilities by \$3,072,258 at the end of 2003.

\$2,321,629, (75.57%) of the Town's net assets, reflects the Town's investment in capital assets such as land, buildings, equipment, and sewer improvements. The Town uses these capital assets to provide services to the citizens of Oil City; consequently, these assets are not available for future spending.

The other portion of the Town's net assets, \$750,629 (24.43%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and council of Oil City. \$696,874 (92.84%) of the unrestricted net assets of the Town consists of cash and cash equivalents and investments.

	Governmental Activities
	<u>2003</u>
Current Assets	\$ 764,116
Capital Assets	2,321,629
Total Assets	<u>3,085,745</u>
Current Liabilities	<u>13,487</u>
Invested in Capital Assets	2,321,629
Unrestricted	750,629
Total Net Assets	<u>\$ 3,072,258</u>

Changes in Net Assets

The Town's net assets decreased by \$110,592 (16.30%) during the year ended December 31, 2003.

Approximately 28.76% (\$110,708) of the Town's total revenues was derived through charges for services while approximately 71.24% (\$274,203) was derived from general revenues including taxes, grants, and interest.

In 2003, governmental activity expenses exceed program revenues, resulting in the use of \$384,795 in general revenues.

Changes in Net Assets (Continued)

	<u>Governmental Activities</u>
	<u>2003</u>
Revenues:	
Program revenues:	
Charges for services	\$ 110,708
General revenues:	
Taxes	236,027
Intergovernmental	3,600
Other	34,576
	<u>384,911</u>
Expenses:	
Operating	<u>495,503</u>
Increase in net assets	(110,592)
Net assets - beginning of year	<u>789,026</u>
Net assets - end of year	<u>\$ 678,434</u>

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

As of the end of the current year, the Town's governmental funds reported a combined ending fund balance of \$729,240, a decrease of \$59,786 compared to the prior year.

The General Fund is the chief operating fund of the Town. Unreserved fund balance was \$282,457 at the end of the current fiscal year.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund accounts for the collection of property taxes and fees. These funds are used to provide sewer service to the citizens of the Town of Oil City. The fund balance was \$446,783 at the end of the fiscal year.

The ending governmental funds balance is unreserved and available for spending in the coming year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the fiscal year. The Budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.).

The Town's budgets were amended because:

- Receipts for fines were less than originally budgeted.

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

- Administrative expenditures were higher than originally budgeted.
- Sanitation expenditures were higher than originally budgeted.
- Capital outlays were higher than originally budgeted due to purchase of a new police car.

Expenditures were \$27,834 more than the amount originally budgeted.

Revenues available for expenditure were \$28,666 above the final budgeted amounts.

CAPITAL ASSET ADMINISTRATION

The Town's investment in capital assets for governmental activities as of December 31, 2003 totaled \$4,115,278, net of accumulated depreciation of \$1,793,649, leaving a book value of \$2,321,629. This investment in capital assets consists of land, buildings, equipment, and sewer improvements. The total increase in the Town's investment in capital assets for the current year was \$37,895, about 0.92% in terms of historical cost. Depreciation charges for the year totaled \$110,089.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ended December 31, 2004 was prepared:

- Revenues are expected to remain consistent with the prior year.
- Expenses are expected to remain consistent with the prior year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Town and seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Oil City, P. O. Box 520, Oil City, Louisiana 71061 or by calling (318) 995-6681.

BASIC FINANCIAL STATEMENTS

TOWN OF OIL CITY, LOUISIANA

Statement of Net Assets
December 31, 2003

	<u>Primary Government</u>	<u>Component Unit</u>	
	Governmental	Lakeview	
	Activities	Cemetery	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 72,340	\$ 14,001	\$ 86,341
Investments, at cost	624,534	142,585	767,119
Receivables (net, where applicable, of allowances for uncollectible accounts)	58,073	-	58,073
Prepaid expenses	8,759	-	8,759
Refundable deposits	410	-	410
Capital assets, net of accumulated depreciation	2,321,629	-	2,321,629
Total assets	<u>\$ 3,085,745</u>	<u>156,586</u>	<u>3,242,331</u>
<u>Liabilities</u>			
Accounts payable	\$ 9,944	-	9,944
Payroll taxes payable	3,543	-	3,543
Total liabilities	<u>13,487</u>	<u>-</u>	<u>13,487</u>
<u>Net Assets</u>			
Invested in capital assets	2,321,629	-	2,321,629
Unrestricted	750,629	156,586	907,215
Total net assets	<u>\$ 3,072,258</u>	<u>\$ 156,586</u>	<u>\$ 3,228,844</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF OIL CITY, LOUISIANA

Statement of Activities
For the Year Ended December 31, 2003

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Lakeview Cemetery
Expenses:		
Current operating:		
Administrative	\$ 71,211	\$ 3,940
Law enforcement	166,032	-
Sanitation	117,825	-
Utilities	30,346	-
Grant expenses	-	-
Depreciation	110,089	-
Total expenditures	<u>495,502</u>	<u>3,940</u>
Program Revenues		
Fees, charges, and commissions for services:		
Fines	62,199	-
Service charges	37,176	-
Licenses and permits	11,333	-
Total program revenues	<u>110,708</u>	<u>-</u>
Net Expense	<u>(384,794)</u>	<u>(3,940)</u>
General Revenues:		
Taxes	236,027	-
Intergovernmental	3,600	-
Grants	9,438	-
Interest	19,698	11,973
Donations	-	770
Lot sales	-	3,380
Miscellaneous	5,441	-
Total general revenues	<u>274,204</u>	<u>16,123</u>
Change in net assets	(110,590)	12,183
Net assets, beginning of year	<u>789,026</u>	<u>144,403</u>
Net assets, end of year	<u>\$ 678,436</u>	<u>\$ 156,586</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF OIL CITY, LOUISIANA

Balance Sheet – Governmental Funds
December 31, 2003

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 40,945	\$ 31,395	\$ 72,340
Investments, at cost	218,194	406,340	624,534
Receivables (net, where applicable, of allowances for uncollectible accounts)	16,523	27,441	43,964
Due from other funds	8,564	-	8,564
Prepaid expenses	5,857	2,903	8,760
Refundable deposits	410	-	410
Total assets	<u>\$ 290,493</u>	<u>\$ 468,079</u>	<u>\$ 758,572</u>
<u>Liabilities</u>			
Accounts payable	\$ 4,493	\$ 5,451	\$ 9,944
Accrued expenses	-	-	-
Payroll taxes payable	3,543	-	3,543
Deferred revenues	-	7,281	7,281
Due to other funds	-	8,564	8,564
Total liabilities	<u>8,036</u>	<u>21,296</u>	<u>29,332</u>
<u>Fund Equity</u>			
Fund balances:			
Unreserved - undesignated	<u>282,457</u>	<u>446,783</u>	<u>729,240</u>
Total fund equity	<u>282,457</u>	<u>446,783</u>	<u>729,240</u>
Total liabilities and fund equity	<u>\$ 290,493</u>	<u>\$ 468,079</u>	<u>\$ 758,572</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF OIL CITY, LOUISIANA

**Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to the Net Assets of
Governmental Activities on the Statement of Net Assets
December 31, 2003**

Fund Balance - total governmental funds	\$ 729,240
Amounts reported for governmental activities in the statement of activities are different because:	
Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are reported as deferred revenue (a liability) in governmental funds.	7,281
Some revenue will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	14,108
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Add - capital assets	4,115,278
Deduct - accumulated depreciation	<u>(1,793,649)</u>
Net assets of governmental activities	<u>\$ 3,072,258</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF OIL CITY, LOUISIANA

**Statements of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
For the Year Ended December 31, 2003**

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 90,477	\$ 124,160	\$ 214,637
Licenses and permits	11,333	-	11,333
Intergovernmental	3,600	-	3,600
Grants	-	9,438	9,438
Fines	62,199	-	62,199
Service charges	-	37,176	37,176
Interest	5,762	13,936	19,698
Miscellaneous	4,339	1,103	5,441
Total revenues	<u>177,710</u>	<u>185,813</u>	<u>363,522</u>
Expenditures:			
Current operating:			
Administrative	71,211	-	71,211
Law enforcement	166,032	-	166,032
Sanitation	-	117,825	117,825
Utilities	-	30,346	30,346
Capital outlays	3,773	34,122	37,895
Total expenditures	<u>241,016</u>	<u>182,293</u>	<u>423,308</u>
Excess (deficiency) of revenues over (under) expenditures	(63,306)	3,520	(59,786)
Other financing sources (uses):			
Operating transfers in (out)	22,933	(22,933)	-
Net change in fund balance	(40,373)	(19,413)	(59,786)
Fund balance at beginning of year	322,830	466,196	789,026
Fund balance at end of year	<u>\$ 282,457</u>	<u>\$ 446,783</u>	<u>\$ 729,240</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF OIL CITY, 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 December 31, 2003**

Net Change in fund balance - total governmental funds	\$ (59,786)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$110,089) exceeds capital outlays (\$37,895) in the current period.	(72,194)
Delinquent property taxes receivable are not reported as revenues in governmental funds.	7,281
Some revenue reported in the statement of activities do not provide current financial resources in governmental funds.	<u>14,107</u>
Change in net assets - statement of activities	<u>\$ (110,592)</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements
For the Year Ended December 31, 2003

1. Summary of Significant Accounting Policies:

The Town of Oil City, Louisiana (Town) was incorporated in 1945 under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government.

The Town of Oil City, Louisiana, complies with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

Following is a summary of certain significant accounting policies:

- A. Reporting Entity – In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has oversight of other component units that are discretely presented in a separate column in the government-wide financial statements.

Discretely Presented Component Units

Lakeview Memorial Gardens

The town, by ordinance, formed a cemetery board and transferred operation of Lakeview Memorial Gardens. All members of the cemetery board are appointed by the mayor and council of the Town of Oil City. The cemetery is governed by the State Laws Governing Cemetery Board, R.S. Title of Section 451-467 and Act 417 of 1974 which regulate setting up Trust Funds for Perpetual Care.

- B. Basis of Presentation - The accompanying basic financial statements of the Town have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Town implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Government*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, in 2003.

Implementation of these standards required a change in the reporting format, additional footnote disclosures, and the inclusion of management's discussion and analysis as supplementary information. Implementation of these standards had no impact on the opening fund balances of the Town of Oil City.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements For the Year Ended December 31, 2003

1. Summary of Significant Accounting Policies (Continued):

- C. Fund Accounting – The Town uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds are grouped into one fund type as described below:

Governmental Funds: Governmental funds account for all or most of the Town's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations. The following are the Town's governmental funds:

General Fund – The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Fund (Sewer Fund) – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund accounts for the collection of property taxes and fees. These funds are used to provide sewer service to the citizens of the Town of Oil City.

D. Basis of Accounting and Measurement Focus

Fund Financial Statements (FFS) - The amounts reflected in the Fund Financial Statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Town's operations.

The amounts reflected in the Fund Financial Statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both 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 Town considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds use the following practices in recording revenues and expenditures:

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue and charges for services. Fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are generally recognized under the modified accrual basis

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements For the Year Ended December 31, 2003

1. Summary of Significant Accounting Policies (Continued):

D. Basis of Accounting and Measurement Focus (Continued):

of accounting when the related fund liability is incurred. Salaries and related benefits are recorded when employee services are provided to the Town. Capital outlays are reported at the time purchased.

Government-wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the Town and its component units. These statements include all the financial activities of the Town. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Program revenues included in the Statement of Activities are derived directly from charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; program revenues reduce the cost of the function to be financed from the Town's general revenues. Taxes and other items not properly included in program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

- E. Cash and Cash Equivalents and Investments – Cash and cash equivalents include cash on hand, amounts in demand deposits and short term, highly liquid investments with original maturities of 90 days or less when purchased. Investments are interest-bearing time deposits with original maturity dated in excess of 90 days when purchased. Investments are stated at cost, which approximates market value. The Town's investments comply with Louisiana Statutes (LSA R.S. 33:2955).
- F. Allowance for Uncollectible Accounts – Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectible ad valorem taxes was \$2,920 and \$2,920 at December 31, 2003 and 2002, respectively.
- G. Capital Assets – Capital assets which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, lighting, and similar items) are reported in the governmental column in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements
For the Year Ended December 31, 2003

1. Summary of Significant Accounting Policies (Continued):

G. Capital Assets – (Continued)

In accordance with GASB Statement 34, because of the costs involved in retroactively capitalizing infrastructure, the Town has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB Statement 34 forward and will not retroactively capitalize infrastructure. The Town does not capitalize historical treasures or works of art.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20-40 years
Equipment	5-20 years
Sewer improvements	40 years

H. Compensated Absences – The Town of Oil City has the following policy relating to vacation and sick leave:

Vacation – Employees are entitled to five days after one continuous year of service; ten days after two continuous years of service and thereafter. Vacation days must be used in the calendar year of entitlement. Unused days lapse as of December 31 each year and do not accrue.

Sick leave – limited to ten days at full pay. Days must be used within the calendar year and do not accrue.

The cost of current leave privileges is recognized as current-year expenditure in the governmental funds, when leave is actually taken.

I. Interfund Transactions – Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

TOWN OF OIL CITY, LOUISIANA

**Notes to the Financial Statements
For the Year Ended December 31, 2003**

1. Summary of Significant Accounting Policies (Continued):

- J. Property Taxes – The Town levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the Town on property values assessed by the Caddo Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

Town property tax revenues are recognized when levied in the government-wide financial statements and are recognized to the extent that they result in current receivables in the fund financial statements.

Property Tax Calendar

Assessment date	January 1, 2003
Levy date	Not later than June 1, 2003
Tax bills mailed	November 15, 2003
Total taxes are due.....	December 31, 2003
Penalties and interest are added.....	January 1, 2004
Lien date	No set policy
Tax sale – 2002 delinquent property	No set policy

Property taxes levied for the current year are recognized as revenues, even though a portion is collectible in the period subsequent to the levy. The Caddo Parish Tax Assessor establishes assessed values each year on a uniform basis at the following ratios to fair market value:

10%	Land
10%	Residential Improvements
15%	Industrial Improvements
15%	Machinery
15%	Commercial Improvements
25%	Public Service Properties – excluding land

K. Estimates

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

2. Cash and Investments:

These deposits are stated at cost, which approximates market value. At December 31, 2003, the carrying amount of the Town's deposits was \$696,874, and the collected bank balance was \$703,108. The bank balances were fully protected by \$378,574 of federal depository insurance (GASB Category 1) and \$848,749 of pledged of securities held by the custodial bank in the name of the fiscal agency bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements
For the Year Ended December 31, 2003

2. Cash and Investments – (Continued):

custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at year-end. Category 1 includes deposits that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counter-party, or by its trust department or agent but not in the Town's name.

Description	Category			Bank Balance	Market Value
	1	2	3		
Demand Deposit Accounts	\$ 78,574	\$ -	\$ -	\$ 78,574	\$ 78,574
Time Deposit Accounts	300,000	-	324,534	624,534	624,534
Total cash and investments	\$ 378,574	\$ -	\$ 324,534	\$ 703,108	\$ 703,108

Investment pools are under the custody of the Town Clerk. Investing is performed in accordance with investment policies complying with State Statutes and the Town Charter. Pooled funds may be invested in: (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral and (3) savings accounts at savings and loan associations and banks, to the extent fully insured.

3. Property Taxes:

For the year ended December 31, 2003, taxes of 17.00 mills were levied on property with assessed valuations totaling \$2,857,840 and were dedicated as follows:

Sewerage and streets	14.00 mills
General fund operations	3.00 mills

Total taxes levied were \$48,583.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements
For the Year Ended December 31, 2003

4. Receivables:

As of December 31, 2003, receivables consisted of the following:

	General	Special Revenue
Property taxes	\$ -	\$ 20,242
Less allowance for uncollectible	-	(2,920)
Franchise taxes	9,863	-
Beer taxes	648	-
Service charges	-	2,687
Interest	6,012	7,432
	\$ 16,523	\$ 27,441

5. Interfund Receivables, Payables:

A summary of interfund receivables and payables is as follows:

	Interfund Receivables	Interfund Payables
General fund	\$ 8,564	\$ -
Special revenue fund	-	8,564
	\$ 8,564	\$ 8,564

6. Capital Assets:

Capital assets and depreciation activity as of and for the year ended December 31, 2003 for the Town is as follows:

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements
For the Year Ended December 31, 2003

6. Capital Assets – (Continued):

	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2003</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 97,481	\$ -	\$ -	\$ 97,481
Capital assets being depreciated:				
Building and structures	1,268,010	1,895	-	1,269,905
Improvements	2,390,274	14,200	-	2,404,474
Equipment	321,618	21,800	-	343,418
Total capital assets being depreciated	<u>3,979,902</u>	<u>37,895</u>	<u>-</u>	<u>4,017,797</u>
Less accumulated depreciation for:				
Building and structures	639,289	31,787	-	671,076
Improvements	894,134	60,082	-	954,216
Equipment	150,137	18,220	-	168,357
Total accumulated depreciation	<u>1,683,560</u>	<u>110,089</u>	<u>-</u>	<u>1,793,649</u>
 Total capital assets being depreciated, net	 <u>\$ 2,393,823</u>	 <u>\$ (72,194)</u>	 <u>\$ -</u>	 <u>\$ 2,321,629</u>

7. Commitments and Contingencies:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

Various claims and lawsuits are pending against the Town. The Town of Oil City is named as defendant in suit alleging damages as a result of defective sewerage system requesting damages in the amount of approximately \$75,000. The Town's insurer has denied coverage; however, the Town intends to vigorously defend the suit. At this time an estimate of the possible loss, if any, cannot be made. In the opinion of management, the potential loss on all claims and lawsuits will not be significant to the Town's financial statements.

8. Related Party Transactions:

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended December 31, 2003.

TOWN OF OIL CITY, LOUISIANA

**Notes to the Financial Statements
For the Year Ended December 31, 2003**

9. On-Behalf Payments:

One employee received a total of \$3,600 in police supplemental pay from the State of Louisiana. The Town is responsible for withholding taxes from this employee and paying the Town's matching portion of social security taxes for the amount of supplemental pay received. The Town must recognize this supplemental pay received by the employee as revenues and expenditures. The revenue is reported in the general fund under intergovernmental revenues and the expenditure is reported in law enforcement expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OIL CITY, LOUISIANA

Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget (GAAP Basis) and Actual – Governmental Funds
For the Year Ended December 31, 2003

	General Fund				Special Revenue			Differences Over (Under)
	Budgeted Amounts		Actual	Budgeted Amounts		Actual	Differences Over (Under)	
	Original	Final		Original	Final			
Revenues:								
Taxes	\$ 90,000	\$ 90,000	\$ 90,477	\$ 477	\$ 120,000	\$ 124,160	\$ 4,160	
Licenses and permits	11,105	11,105	11,333	228	-	-	-	
Intergovernmental	-	-	3,600	3,600	-	-	-	
Grants	-	-	-	-	-	9,438	9,438	
Fines	70,000	65,000	62,199	(2,801)	-	-	-	
Service charges	-	-	-	-	31,750	37,176	5,426	
Interest	5,000	5,000	5,762	762	8,000	13,936	5,936	
Miscellaneous	3,750	3,750	4,339	589	250	1,103	853	
Total revenues	<u>179,855</u>	<u>174,855</u>	<u>177,710</u>	<u>2,855</u>	<u>160,000</u>	<u>185,813</u>	<u>25,813</u>	
Expenditures:								
Current:								
Administrative	57,790	75,000	71,211	3,789	27,700	-	-	
Law enforcement	165,735	165,735	166,032	(297)	-	-	-	
Sanitation	-	-	-	-	88,100	117,825	(17,825)	
Utilities	-	-	-	-	30,150	30,346	(196)	
Capital outlays	-	-	3,773	(3,773)	26,000	34,122	(8,122)	
Total expenditures	<u>223,525</u>	<u>240,735</u>	<u>241,016</u>	<u>(281)</u>	<u>171,950</u>	<u>182,293</u>	<u>1,557</u>	
Excess (deficiency) of revenues over expenditures	(43,670)	(65,880)	(63,306)	2,574	(11,950)	3,520	27,370	
Other financing sources (uses):								
Operating transfers	22,933	22,933	22,933	-	(22,933)	(22,933)	0	
Excess (deficiency) of revenues and other sources over expenditures and other uses	(20,737)	(42,947)	(40,373)	2,574	(34,883)	(19,413)	27,370	
Fund balance at beginning of year	322,830	322,830	322,830	-	466,196	466,196	-	
Fund balance at end of year	<u>\$ 302,093</u>	<u>\$ 279,883</u>	<u>\$ 282,457</u>	<u>\$ 2,574</u>	<u>\$ 431,313</u>	<u>\$ 446,783</u>	<u>\$ 27,370</u>	

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF OIL CITY, LOUISIANA

Notes to Budgetary Comparison Schedule December 31, 2003

The proposed budget for the December 31, 2003, fiscal year was made available for public inspection at the office of the mayor in the Town Hall of Oil City on December 3, 2002. The proposed budget is prepared in accordance with the Generally Accepted Accounting Principles (GAAP).

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

1. The Mayor prepares a proposed budget and submits it to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an enabling resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. The budget is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. The budgetary information presented in these financial statements is as so amended. Management may amend the budget only below the department level.
6. The Town utilizes formal budgetary integration as a management control device for all funds.

Through the budget, the Town allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the Town's economic resources. It establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the Town's performance.

Expenditures may not legally exceed appropriations at the fund level. Appropriations that are not expended lapse at year end. . The budget was amended for the year ended December 31, 2003.

The Budgetary Comparison Schedule – Budget (GAAP Basis) to Actual presents comparisons of the original and final legally adopted budget with the actual data.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF OIL CITY, LOUISIANA

**Schedule of Mayor and Aldermen's Compensation
For the Year Ended December 31, 2003**

During 2003, the following amounts were paid to the Mayor and Town Aldermen:

Todd A. Hopkins - Mayor's Salary		\$ 2,400
Aldermen per-diem:		
Sandy Farley	\$ 600	
Donnie Jackson	600	
James Sims	600	
John T. Weaver	600	
Mark Wooldridge	600	
		<u>3,000</u>
Total		<u>\$ 5,400</u>

The current elected officials are as follows:

Office expiration date – December 31, 2004

Supplementary schedule. Presented for purposes of additional analysis only.

TOWN OF OIL CITY, LOUISIANA

**Discretely Presented Component Unit -
Statement of Net Assets
December 31, 2003**

	<u>Assets</u>	<u>Lakeview Cemetery</u>
Cash		\$ 14,001
Investments, at cost		<u>142,585</u>
Total assets		<u>\$ 156,586</u>
	<u>Net Assets</u>	
Unrestricted		<u>156,586</u>
Total net assets		<u>\$ 156,586</u>

TOWN OF OIL CITY, LOUISIANA

Discretely Presented Component Unit -
Statement of Activities
For the Year Ended December 31, 2003

	<u>Lakeview Cemetery</u>
Expenses:	
Lawn maintenance	\$ 3,940
Program Revenues	
Fees, charges, and commissions for services:	
Lot sales	<u>3,380</u>
Net Expense	<u>(560)</u>
General Revenues:	
Donations	770
Interest	<u>11,973</u>
Total general revenues	<u>12,743</u>
Change in net assets	12,183
Net assets, beginning of year	<u>144,403</u>
Net assets, end of year	<u><u>\$ 156,586</u></u>

Supplementary schedule. Presented for purposes of additional analysis only.

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following independent auditor's report on compliance and internal control over financial reporting is presented in compliance with requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



Certified Public Accountants • Management Consultants • Business Advisors

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

The Honorable Todd A. Hopkins, Mayor
and Members of the Board of Aldermen
Town of Oil City, Louisiana

We have audited the basic financial statements of the Town of Oil City, Louisiana, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 21, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Oil City, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Aldermen, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Smith Pugh's Company, LLP
Smith, Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana
June 21, 2004

TOWN OF OIL CITY, LOUISIANA

Summary Schedule of Audit Findings
December 31, 2003

FINDINGS RELATED TO COMPLIANCE

None.

FINDINGS RELATED TO INTERNAL CONTROL

None.

TOWN OF OIL CITY, LOUISIANA

**Summary Schedule of Prior Audit Findings
December 31, 2003**

PRIOR AUDIT FINDINGS RELATED TO COMPLIANCE

None

PRIOR AUDIT FINDINGS RELATED TO INTERNAL CONTROL

None