

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR
ENDED JUNE 30, 2018**

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Oak Grove, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Oak Grove, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, and each major fund, of the Town of Oak Grove, Louisiana, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-8), the budgetary comparison information (pages 50-54), the schedules of employer's share of net pension liability (page 55), and the schedules of contributions to pension plans (page 56) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 Schedule of Compensation, Benefits, Reimbursements, and other Payments to or on Behalf of Agency Head and the Schedule of Compensation to Town Council are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, Reimbursements, and other Payments to or on Behalf of Agency Head and the Schedule of Compensation to Town Council are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Town of Oak Grove
Independent Auditor's Report
June 30, 2018

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Oak Grove, Louisiana's internal control over financial reporting and compliance.

BOSCH & STATHAM, LLC



Ruston, Louisiana
December 26, 2018

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2018

Our discussion and analysis of the Town of Oak Grove, Louisiana (the Town) provides an overview of the Town's activities for the year ended June 30, 2018. 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 Position 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 Position 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 position and changes in net position. The Town's net position (i.e., the difference between assets and liabilities) is a measure of the Town's financial position. The increases or decreases in the Town's net position are an indicator of whether its financial position is improving or deteriorating.

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

THE TOWN AS A WHOLE

At June 30, 2018, net position was as follows:

NET POSITION

	Governmental Activities		Business-type Activities	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 2,692,925	\$ 2,881,236	\$ 586,976	\$ 636,236
Capital assets, net	<u>1,948,596</u>	<u>1,902,935</u>	<u>3,236,432</u>	<u>2,743,381</u>
Total assets	<u>4,641,521</u>	<u>4,784,171</u>	<u>3,823,408</u>	<u>3,379,617</u>
Deferred outflows	<u>394,508</u>	<u>369,939</u>	<u>53,752</u>	<u>40,900</u>
Liabilities:				
Current	127,479	37,069	498,459	107,090
Long-term	<u>959,186</u>	<u>937,170</u>	<u>212,586</u>	<u>116,211</u>
Total liabilities	<u>1,086,665</u>	<u>974,239</u>	<u>711,045</u>	<u>223,301</u>
Deferred inflows	<u>52,430</u>	<u>186,111</u>	<u>4,580</u>	<u>8,094</u>
Net position:				
Net investment in capital assets	1,948,596	1,769,935	2,598,102	2,743,381
Restricted	717,712	752,049	84,670	84,670
Unrestricted	<u>1,230,627</u>	<u>1,471,776</u>	<u>478,763</u>	<u>361,071</u>
Total net position	<u><u>\$ 3,896,935</u></u>	<u><u>\$ 3,993,760</u></u>	<u><u>\$ 3,161,535</u></u>	<u><u>\$ 3,189,122</u></u>

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2018

Net position of the Town's governmental activities decreased two percent during the year ended June 30, 2018. Unrestricted net position, the part that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased 16 percent.

Net position of the business-type activities decreased from \$3,189,122 to \$3,161,535 or one percent.

For the year ended June 30, 2018, net position changed as follows:

CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Program revenues:				
Charges for services	\$ 207,727	\$ 256,696	\$ 610,713	\$ 587,117
Operating grants and contributions	43,730	31,897	-	-
Capital grants and contributions	74,081	51,714	155,963	-
General revenues:				
Property taxes	214,439	204,605	-	-
Sales and use taxes	678,970	805,471	-	-
Other taxes, licenses and permits	65,413	49,891	-	-
Other	67,307	195,478	20,643	13,658
Total revenues	<u>1,351,667</u>	<u>1,595,752</u>	<u>787,319</u>	<u>600,775</u>
Expenses:				
General government	535,897	511,282	-	-
Public safety	482,306	456,805	-	-
Highways and streets	317,587	292,623	-	-
Health and welfare	4,343	17,260	-	-
Culture and recreation	10,396	13,114	-	-
Economic development	45,554	32,875	-	-
Cemeteries	49,120	43,344	-	-
Interest expense	3,288	8,079	-	-
Water	-	-	434,070	483,065
Sewer	-	-	380,836	345,037
Total expenses	<u>1,448,491</u>	<u>1,375,382</u>	<u>814,906</u>	<u>828,102</u>
Change in net position	(96,824)	220,370	(27,587)	(227,327)
Net position at beginning of year	<u>3,993,759</u>	<u>3,773,390</u>	<u>3,189,122</u>	<u>3,416,449</u>
Net position at end of year	<u>\$ 3,896,935</u>	<u>\$ 3,993,760</u>	<u>\$ 3,161,535</u>	<u>\$ 3,189,122</u>

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2018

As of June 30, 2018, none of the Town's funds have a deficit balance. The General Fund has a fund balance of \$233,712 which is a nine percent decrease from prior year. Fund balance is equal to approximately five months of expenditures. During the year, the Town transferred \$150,000 from the Sales Tax Fund to the General Fund.

The Sales Tax Fund balance decreased \$82,363 or five percent and represents approximately three years of expenditures based on 2018 expenditures. Total revenues decreased while expenditures increased.

Fund balances of the Street Fund and Cemetery Fund decreased \$8,499 (16%) and \$21,256 (7%), respectively. Street Fund revenues and expenditures changed slightly. Cemetery Fund revenues and expenditures increased only slightly. Fund balance of the Economic Development Fund decreased \$45,129, or 13%.

BUDGETARY HIGHLIGHTS

During the year, in the General Fund, there was a \$10,000 decrease in anticipated revenues. The decrease was due to decreases in anticipated licenses and permits and fines, offset by minor increases in other line items. Anticipated expenditures increased \$44,114 due to changes in salaries and benefits in the police department.

During the year in the Sales Tax Fund, there was a \$20,000 increase in anticipated revenues and a \$36,554 increase in budgeted expenditures.

Street Fund budgeted revenues decreased by \$24,400 and expenditures increased \$19,500.

The Economic Development Fund budgeted revenues increased \$153,000 and expenditures increased \$42,000.

The Cemetery Fund budgeted revenues decreased by \$7,000 and expenditures increased \$15,629.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the Town's investment in capital assets for its governmental and business-type activities amounts to \$5,185,029 (net of accumulated depreciation). This investment includes the water and sewer systems, buildings and improvements, vehicles, machinery, equipment, and land.

This year's additions of \$225,806 included police tasers, a boom and bush hog, a lawnmower, a mosquito sprayer, and water system improvements. The Town disposed of a police vehicle with an original cost of \$19,835, and a lawnmower with an original cost of \$11,485.

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2018

Debt

At year end, the Town had a total of \$80,751 in taxable sewer revenue bonds, Series 2017, outstanding. The bonds bear interest at 0.45% and are due to mature in 2037.

In addition, the Town had a total liability of \$45,451 for compensated absences payable and \$1,047,787 for net pension liability.

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 sale and use tax, property tax assessments, and fees for services. The Town intends to use monies from various grants to make necessary repairs and upgrades to the town's water and sewer systems.

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. Mellissa Corley.

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,590,917	\$ 355,652	\$ 2,946,569
Cash and cash equivalents - restricted	23,447	84,805	108,252
Receivables, net of allowance for uncollectibles	136,196	79,734	215,930
Internal balances	(57,635)	57,635	-
Inventories	-	9,150	9,150
Capital assets not being depreciated	178,317	491,874	670,191
Capital assets, net of accumulated depreciation	1,770,279	2,744,558	4,514,837
TOTAL ASSETS	4,641,521	3,823,408	8,464,929
DEFERRED OUTFLOWS			
Pension related	394,508	53,752	448,260
LIABILITIES			
Accounts payable	90,349	422,871	513,220
Payroll and related liabilities	37,030	1,047	38,077
Accrued liabilities	-	3,138	3,138
Customer deposits payable	-	69,187	69,187
Due to others	100	-	100
Noncurrent liabilities:			
Due within one year	8,536	2,216	10,752
Due in more than one year	30,153	85,296	115,449
Net pension liability	920,497	127,290	1,047,787
TOTAL LIABILITIES	1,086,665	711,045	1,797,710
DEFERRED INFLOWS			
Pension related	52,430	4,580	57,010
NET POSITION			
Net investment in capital assets	1,948,596	2,598,102	4,546,698
Restricted net position	717,712	84,670	802,382
Unrestricted net position	1,230,627	478,763	1,709,390
TOTAL NET POSITION	\$ 3,896,935	\$ 3,161,535	\$ 7,058,470

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, 2018**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 535,897	\$ 148,256	\$ -	\$ -	\$ (387,641)		\$ (387,641)
Public safety	482,306	48,621	43,730	-	(389,955)		(389,955)
Highways and streets	317,587	3,800	-	51,350	(262,437)		(262,437)
Cemeteries	49,120	7,050	-	-	(42,070)		(42,070)
Health and welfare	4,343	-	-	-	(4,343)		(4,343)
Culture and recreation	10,396	-	-	22,731	12,335		12,335
Economic development	45,554	-	-	-	(45,554)		(45,554)
Interest expense	3,288	-	-	-	(3,288)		(3,288)
Total governmental activities	<u>1,448,491</u>	<u>207,727</u>	<u>43,730</u>	<u>74,081</u>	<u>(1,122,953)</u>		<u>(1,122,953)</u>
Business-type activities:							
Water operations	434,070	329,305	-	155,963		\$ 51,198	51,198
Sewer operations	380,836	281,408	-	-		(99,428)	(99,428)
Total business-type activities	<u>814,906</u>	<u>610,713</u>	<u>-</u>	<u>155,963</u>		<u>(48,230)</u>	<u>(48,230)</u>
Total primary government	<u>\$ 2,263,397</u>	<u>\$ 818,440</u>	<u>\$ 43,730</u>	<u>\$ 230,044</u>	<u>(1,122,953)</u>	<u>(48,230)</u>	<u>(1,171,183)</u>
General revenues:							
Property taxes					214,439	-	214,439
Sales and use taxes					678,970	-	678,970
Franchise taxes					65,413	-	65,413
Unrestricted investment earnings					25,064	1,285	26,349
Gain (loss) on sale of capital assets					3,010	-	3,010
Other					39,233	19,358	58,591
Total general revenues and transfers					<u>1,026,129</u>	<u>20,643</u>	<u>1,046,772</u>
Change in net position					<u>(96,824)</u>	<u>(27,587)</u>	<u>(124,411)</u>
Net position at beginning of year (restated)					<u>3,993,759</u>	<u>3,189,122</u>	<u>7,182,881</u>
Net position at end of year					<u>\$ 3,896,935</u>	<u>\$ 3,161,535</u>	<u>\$ 7,058,470</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, 2018**

	General	Sales Tax	Street	Economic Development	Debt Service	Cemetery	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 355,466	\$ 1,541,186	\$ 71,060	\$ 309,881	\$ -	\$ 313,324	\$ 2,590,917
Cash and cash equivalents - restricted	10,715	-	-	-	12,732	-	23,447
Receivables, net	7,788	128,408	-	-	-	-	136,196
Due from other funds	-	72,358	10,358	-	-	-	82,716
TOTAL ASSETS	<u>\$ 373,969</u>	<u>\$ 1,741,952</u>	<u>\$ 81,418</u>	<u>\$ 309,881</u>	<u>\$ 12,732</u>	<u>\$ 313,324</u>	<u>\$ 2,833,276</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 3,445	\$ 81,632	\$ 4,747	\$ -	\$ -	\$ 525	\$ 90,349
Payroll and related liabilities	35,821	1,006	-	-	-	203	37,030
Due to other funds	100,892	-	32,397	-	-	7,062	140,351
Due to others	100	-	-	-	-	-	100
Total liabilities	<u>140,258</u>	<u>82,638</u>	<u>37,144</u>	<u>-</u>	<u>-</u>	<u>7,790</u>	<u>267,830</u>
Deferred inflows:							
Unavailable revenues	<u>-</u>	<u>64,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,643</u>
Fund balances:							
Restricted fund balances	-	1,594,671	44,274	-	12,732	305,534	1,957,211
Committed fund balances	-	-	-	309,881	-	-	309,881
Unassigned	233,712	-	-	-	-	-	233,712
Total fund balances	<u>233,712</u>	<u>1,594,671</u>	<u>44,274</u>	<u>309,881</u>	<u>12,732</u>	<u>305,534</u>	<u>2,500,804</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 373,970</u>	<u>\$ 1,741,952</u>	<u>\$ 81,418</u>	<u>\$ 309,881</u>	<u>\$ 12,732</u>	<u>\$ 313,324</u>	<u>\$ 2,833,277</u>

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

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

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

Total fund balances	\$ 2,500,804
Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	1,948,596
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	64,643
Deferred outflows - pension related	394,508
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(38,689)
Net pension liability	(920,497)
Deferred inflows - pension related	<u>(52,430)</u>
Net position of governmental activities	<u><u>\$ 3,896,935</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, 2018**

	General	Sales Tax	Street	Economic Development	Debt Service	Cemetery	Total Governmental Funds
Revenues:							
Taxes:							
Ad valorem	\$ 112,188	\$ -	\$ 72,673	\$ -	\$ -	\$ 29,578	\$ 214,439
Sales and use	-	674,542	-	-	-	-	674,542
Franchise	65,413	-	-	-	-	-	65,413
Intergovernmental:							
Federal funds	51,350	-	-	-	-	-	51,350
State funds:							
Supplemental pay	39,546	-	-	-	-	-	39,546
Other state funds	4,184	22,731	-	-	-	-	26,915
Licenses and permits	139,245	-	-	-	-	-	139,245
Charges for services	3,800	-	-	-	-	7,050	10,850
Fines	48,621	-	-	-	-	-	48,621
Lease income	9,011	-	-	-	-	-	9,011
Interest earned	2,301	19,991	198	363	-	2,211	25,064
Other revenues	16,163	1,068	89	-	-	-	17,320
Total revenues	<u>491,822</u>	<u>718,332</u>	<u>72,960</u>	<u>363</u>	<u>-</u>	<u>38,839</u>	<u>1,322,316</u>
Expenditures:							
Current:							
General government	173,682	339,412	1,423	-	-	626	515,143
Public safety	437,083	24,855	-	-	-	-	461,938
Highways and streets	3,260	109,382	99,479	-	-	-	212,121
Cemeteries	-	-	-	-	-	49,120	49,120
Health and welfare	1,138	3,205	-	-	-	-	4,343
Culture and recreation	1,073	4,317	-	-	-	-	5,390
Economic development	-	-	-	45,492	-	-	45,492
Debt service - interest	-	-	-	-	136,288	-	136,288
Capital outlay	51,175	110,047	7,067	-	-	10,349	178,638
Total expenditures	<u>667,411</u>	<u>591,218</u>	<u>107,969</u>	<u>45,492</u>	<u>136,288</u>	<u>60,095</u>	<u>1,608,473</u>
Excess (deficiency) of revenues over expenditures	<u>(175,589)</u>	<u>127,114</u>	<u>(35,009)</u>	<u>(45,129)</u>	<u>(136,288)</u>	<u>(21,256)</u>	<u>(286,157)</u>
Other financing sources (uses):							
Transfers in	150,000	-	25,000	-	34,477	-	209,477
Transfers out	-	(209,477)	-	-	-	-	(209,477)
Sale of capital assets	1,500	-	1,510	-	-	-	3,010
Total other financing sources and uses	<u>151,500</u>	<u>(209,477)</u>	<u>26,510</u>	<u>-</u>	<u>34,477</u>	<u>-</u>	<u>3,010</u>
Net change in fund balances	<u>(24,089)</u>	<u>(82,363)</u>	<u>(8,499)</u>	<u>(45,129)</u>	<u>(101,811)</u>	<u>(21,256)</u>	<u>(283,147)</u>
Fund balances at beginning of year	257,801	1,677,034	52,773	355,010	114,543	326,790	2,783,951
Fund balances at end of year	<u>\$ 233,712</u>	<u>\$ 1,594,671</u>	<u>\$ 44,274</u>	<u>\$ 309,881</u>	<u>\$ 12,732</u>	<u>\$ 305,534</u>	<u>\$ 2,500,804</u>

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,
EXENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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

Net change in fund balances - total governmental funds **\$ (283,147)**

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.

Capital outlay	178,638
Depreciation expense	(132,978)

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

Amount deferred in current year governmental balance sheet	64,643
Amount deferred in prior year governmental balance sheet	(60,215)

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 position. 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.

Payments on long-term debt	133,000
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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.

Change in compensated absences payable	(7,825)
Change in net pension liability and deferred inflows and outflows	11,060

Change in net position of governmental activities **\$ (96,824)**

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

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

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

ASSETS	Water	Sewer	Total Proprietary Funds
Current assets:			
Cash and cash equivalents - unrestricted	\$ 245,307	\$ 110,345	\$ 355,652
Cash and cash equivalents - restricted	84,805	-	84,805
Receivables, net	51,963	27,771	79,734
Inventories	9,150	-	9,150
Due from other funds	5,934	57,635	63,569
Total current assets	<u>397,159</u>	<u>195,751</u>	<u>592,910</u>
Noncurrent assets:			
Capital assets, net	<u>1,503,522</u>	<u>1,732,910</u>	<u>3,236,432</u>
TOTAL ASSETS	<u>1,900,681</u>	<u>1,928,661</u>	<u>3,829,342</u>
DEFERRED OUTFLOWS			
Deferred outflows - pension related	<u>26,876</u>	<u>26,876</u>	<u>53,752</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,531	419,341	422,872
Due to other funds	-	5,934	5,934
Payroll and related liabilities	523	524	1,047
Accrued liabilities	3,137	-	3,137
Compensated absences payable - current	2,216	-	2,216
Customer deposits payable	69,187	-	69,187
Total current liabilities	<u>78,594</u>	<u>425,799</u>	<u>504,393</u>
Noncurrent liabilities:			
Compensated absences payable	4,545	-	4,545
Revenue bonds payable	-	80,751	80,751
Net pension liability	63,645	63,645	127,290
Total noncurrent liabilities	<u>68,190</u>	<u>144,396</u>	<u>212,586</u>
TOTAL LIABILITIES	<u>146,784</u>	<u>570,195</u>	<u>716,979</u>
DEFERRED INFLOWS			
Deferred inflows - pension related	<u>2,290</u>	<u>2,290</u>	<u>4,580</u>
NET POSITION			
Net investment in capital assets	1,342,432	1,255,670	2,598,102
Restricted net position	84,670	-	84,670
Unrestricted net position	351,381	127,382	478,763
TOTAL NET POSITION	<u>\$ 1,778,483</u>	<u>\$ 1,383,052</u>	<u>\$ 3,161,535</u>

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

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

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Water	Sewer	Total Proprietary Funds
Operating revenues:			
Charges for sales and services:			
Water and sewer fees	\$ 329,305	\$ 281,408	\$ 610,713
Other revenues	17,072	2,286	19,358
Total operating revenues	<u>346,377</u>	<u>283,694</u>	<u>630,071</u>
Operating expenses:			
Administration	343,725	325,902	669,627
Depreciation expense	90,345	54,934	145,279
Total operating expenses	<u>434,070</u>	<u>380,836</u>	<u>814,906</u>
Operating income (loss)	<u>(87,693)</u>	<u>(97,142)</u>	<u>(184,835)</u>
Nonoperating revenues (expenses):			
Intergovernmental revenues	97,159	58,804	155,963
Interest earned	1,068	217	1,285
Total nonoperating revenue (expenses)	<u>98,227</u>	<u>59,021</u>	<u>157,248</u>
Income (loss) before transfers	<u>10,534</u>	<u>(38,121)</u>	<u>(27,587)</u>
Change in net position	10,534	(38,121)	(27,587)
Net position at beginning of year (restated)	1,767,949	1,421,173	3,189,122
Net position at end of year	<u><u>\$ 1,778,483</u></u>	<u><u>\$ 1,383,052</u></u>	<u><u>\$ 3,161,535</u></u>

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

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

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Water	Sewer	Total Proprietary Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 340,209	\$ 281,530	\$ 621,739
Payments to suppliers	(302,448)	(215,129)	(517,577)
Payments to employees	(62,231)	(62,420)	(124,651)
Net cash provided by operating activities	<u>(24,470)</u>	<u>3,981</u>	<u>(20,489)</u>
Cash flows from noncapital financing activities:			
Subsidy from grants	97,159	35,030	132,189
Net cash provided by noncapital and related financing activities	<u>97,159</u>	<u>35,030</u>	<u>132,189</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(154,290)	(2,925)	(157,215)
Acquisition and construction of capital assets	(6,800)	(57,375)	(64,175)
Principal paid on capital debt	(3,000)	-	(3,000)
Net cash used by capital and related financing activities	<u>(164,090)</u>	<u>(60,300)</u>	<u>(224,390)</u>
Cash flows from investing activities:			
Interest received	1,068	215	1,283
Net cash provided by investing activities	<u>1,068</u>	<u>215</u>	<u>1,283</u>
Net increase (decrease) in cash and cash equivalents	(90,333)	(21,074)	(111,407)
Cash and cash equivalents, beginning of year (including amounts in restricted accounts)	420,445	131,419	551,864
Cash and cash equivalents, end of year (including amounts in restricted accounts)	<u>\$ 330,112</u>	<u>\$ 110,345</u>	<u>\$ 440,457</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (87,693)	\$ (97,142)	\$ (184,835)
Adjustments to reconcile operating loss to cash provided by operating activities:			
Depreciation expense	90,345	54,934	145,279
Pension related income and expense	(351)	(351)	(702)
(Increase) decrease in accounts receivable	(4,179)	(333)	(4,512)
Increase (decrease) in accounts payable	(16,022)	46,594	30,572
Increase (decrease) in payroll related liabilities	278	279	557
Increase (decrease) in compensated absences payable	190	-	190
Increase (decrease) in customer deposits	(158)	-	(158)
Increase (decrease) in accrued liabilities	(6,880)	-	(6,880)
Total adjustments	<u>63,223</u>	<u>101,123</u>	<u>164,346</u>
Net cash provided by operating activities	<u>\$ (24,470)</u>	<u>\$ 3,981</u>	<u>\$ (20,489)</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
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Oak Grove, Louisiana, (the Town) 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. As of 2010, the Town had a population of 1,727. The citizens elect the Mayor, who is the executive officer, and the five Council members. The Council elects the Mayor Pro-Tem.

The accompanying basic financial statements of the Town of Oak Grove have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements present the financial position and results of operations of the various funds of the Town and the cash flows of the proprietary funds as of and for the year ended June 30, 2018.

Reporting Entity

The Town's basic financial statements consist of financial information of the various funds and activities that comprise the Town's legal entity. GASB Statement No. 14, *The Financial Reporting Entity*, as amended, provides that a legally separate entity is considered a component unit of the Town if at least one of the following criteria is met:

- The Town appoints a voting majority of the organization's governing body and is either able to impose its will on the organization or there is a potential financial benefit/burden to the Town.
- The entity is fiscally dependent on the Town and there is a potential financial benefit/burden to the State.
- The nature and significant of the relationship between the Town and the entity is such that exclusion would cause the financial statements of the Town to be misleading.

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. The Town has no component units.

Basis of Presentation

The basic financial statements include the government-wide financial statements, fund financial statements, and notes to the basic financial statements. consists of Management's Discussion and Analysis (MD&A), basic financial statements, notes to basic financial statements, and required supplementary information other than the MD&A. The MD&A provides an overview of the financial activities of the Town.

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The government-wide financial statements consist of a governmental activities column and a business-type activities column. Together these two columns comprise the financial information of the primary government. Fund financial statements are presented to provide additional detail supporting the information presented in the government-wide financial statements. The fund financial statements consist of financial statements for governmental funds and proprietary funds (enterprise funds).

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Major revenues such as ad valorem taxes and sales taxes are assessed, collected and susceptible to accrual. Assets, liabilities, revenues, and expenses of the government are reported in the financial statements. The statements distinguish between the governmental and business-type activities of the Town by reporting each in a separate column.

All capital (long-lived) assets, receivables, and long-term obligations are reported in the Statement of Net Position. The Statement of Activities reports revenues and expenses in a format that allows the reader to focus on the net cost of each function of the Town. Both the gross and net cost per function, which is otherwise being supported by general government revenues, is compared to the revenues generated directly by the function. In the Statement of Activities, gross expenses, including depreciation, are reduced by related program revenues, which are comprised of charges for services, operating grants, and capital grants. Direct and indirect expenses are reported as program expenses for individual functions and activities. The program revenues must be directly associated with the function or a business-type activity. The types of transactions included in program revenues are licenses and permits, fines, lease income, court costs, charges for mowing, and charges for gravesites. The operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The fund financial statements report the Town as a collection of major and nonmajor funds presented on separate schedules by fund category – governmental, proprietary, and fiduciary funds.

- The governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances, with one column for the general fund, one for each of the other major funds, and one column combining all the nonmajor governmental funds. The Town does not have any nonmajor governmental funds. The statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period, generally considered sixty days after the end of the fiscal year. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest payments on general long-term liabilities which are recognized when due.
- The proprietary fund statements include a statement of net position; a statement of revenues, expenses, and changes in fund net position; and a statement of cash flows. Each statement has a column for each major enterprise fund. The Town does not have any nonmajor proprietary funds or internal service funds. The proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting in order to make a determination of net income, financial position, and cash flows.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Although the financial statements presented in each of these three schedules contain “total” columns, they merely combine rather than consolidate the funds. Hence, interfund transactions that generate receivables and payables or transfers from one fund to another are not eliminated.

Major funds are those whose revenues, expenditures/expenses, assets, or liabilities are at least ten percent of the total for their fund category or type (governmental or enterprise) and at least five percent of the corresponding element total for all governmental and enterprise funds combined.

The data on the face of the three sets of financial statements must be accompanied by certain disclosures to ensure accurate information is presented in the form of a single set of notes to the basic financial statements.

The major governmental funds of the Town are the General Fund, the Sales Tax Fund, the Street Fund, the Economic Development Fund, the Debt Service Fund, and the Cemetery Fund, and the LCDBG Capital Projects Fund.

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 2017 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 Fund accounts for funds committed by the Council for economic development within the Town.

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

The Cemetery Special Revenue Fund accounts for property taxes dedicated to the operation and maintenance of the cemetery.

The LCDBG Capital Projects Fund accounts for grants received from the Louisiana Community Development Block Grant program and expenditures related to those grants. There was no activity in this fund during the fiscal year ended June 30, 2018.

The Town reports two major enterprise funds, the Water and Sewer Funds.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position, Equity, or Net Fund Balances

Cash and Investments

The Town Clerk pools those cash resources for which she is responsible and invests them accordingly. For purposes of the financial statements, including the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Cash and investment earnings are recorded in the Fund that holds the investment.

Receivables and Payables

Activity between funds that is outstanding at the end the fiscal year is referred to as either “due to or 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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” All internal balances are eliminated in the total primary government column. Receivables include all amounts susceptible to accrual that have not been collected at June 30, but will be collected soon enough after the end of the year to pay liabilities of that year. They include all amounts earned, but not collected at June 30. Receivables (net of any uncollectible amounts) and payables are reported on separate lines.

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 assessor of West Carroll Parish. For the year ended June 30, 2018, taxes of 18.56 mills were levied on property with assessed valuations totaling \$11,731,298, as follows:

General corporate purposes	9.57 mills
Street maintenance	6.43 mills
Cemetery	2.56 mills

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position, Equity, or Net Fund Balances (Continued)

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	\$ 891,000	8%	\$ 74,880
Regions Bank	748,294	6%	62,985
Wal-Mart Louisiana, LLC	609,316	5%	51,207
West Carroll Hospital	545,066	5%	45,807
Guaranty Bank and Trust Co.	391,076	3%	32,902
Mueller Inc.	320,860	3%	26,965
Richland State Bank	241,371	2%	20,304
Bellsouth Telecommunications	215,676	2%	18,212
West Carroll Community Bank	206,615	2%	17,391
Carroll Nursing Home Inc.	172,132	1%	14,466
Totals	<u>\$ 4,341,406</u>	<u>37%</u>	<u>\$ 365,119</u>

Inventories and Prepaid Items

Inventories consisting of office supplies and water and sewer plant supplies held for consumption are valued using the average cost method. The consumption method is used for financial reporting. Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets represent primarily cash and investments held separately and restricted according to bond indenture agreements. Cash held for water customer meter deposits is also reported as restricted.

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position, Equity, or Net Fund Balances (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure is reported from 1997 and forward and includes streets. Capital assets are recorded as expenditures in each fund and capitalized at the government-wide level. Capital assets of enterprise funds are reported in the respective funds. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. For reporting purposes, the Town defines capital assets as follows:

- Land is an inexhaustible asset with no capitalization threshold and an unlimited useful life; therefore, it is not depreciated.
- Buildings are permanent structures erected above ground, while improvements are major repairs, renovations, or additions that increase the future service potential of the asset. Leasehold improvements are improvements made by the lessee to leased property. The capitalization threshold for buildings and improvements is \$5,000. They are depreciated principally using the straight-line method with an estimated useful life typically of 40 years for structures and improvements and 20 years for depreciable land improvements. Leasehold improvements are depreciated using the straight-line method with an estimated useful life depending on the term of the lease. Construction-in-progress is not depreciated.
- Movable property (furniture, equipment, and vehicles) consists of assets that are not fixed or stationary in nature with an initial, individual cost of at least \$1,000. The straight-line method of depreciation is used, which divides the historical cost by the estimated useful life of the asset, generally 5 to 10 years.
- Infrastructure assets are roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Infrastructure has a capitalization threshold of \$5,000, and is depreciated using the straight-line method with an estimated useful life of 40 years.
- Purchased computer software has a capitalization threshold of \$1,000 and is depreciated using the straight-line method over an estimated useful life of 3 years.
- Donated capital assets are recorded at their estimated fair value at the date of donation.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position, Equity, or Net Fund Balances

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. Any employee who dies while employed by the Town of Oak Grove is entitled to be paid any vacation days not taken during that calendar year. All payments will be made to the employee's estate.

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. Each employee earns sick leave at the rate of one day for each month worked. An employee cannot accumulate more than 30 days of sick leave. All accumulated sick leave is forfeited upon termination of employment except upon retirement.

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.

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental or business-type activities. In the fund financial statements, proprietary fund long-term obligations are reported as liabilities in the proprietary fund type statement of net position. Individual funds have been used to liquidate other long-term liabilities such as compensated absences, claims and litigation payable, etc. Bond premiums and discounts are deferred and amortized over the life of the bonds. In accordance with paragraph 16 of the Accounting Principles Board Opinion No. 21, unamortized balances of premiums and discounts are netted against the outstanding balance of the related bonds payable.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications and Net Position

Fund balances are reported under the following fund balance classifications:

Non-spendable	Includes fund balance amounts that cannot be spent either because it is not in spendable form or are legally or contractually required to be maintained intact.
Restricted	Includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
Committed	Includes amounts that can only be used for specific purposes pursuant to constraints that are internally imposed by the government through formal action of the Town Council and does not lapse at year-end.
Assigned	Includes amounts that are constrained by the Council's intent to be used for specific purposes that are neither considered restricted or committed.
Unassigned	Includes amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund. Negative fund balances in other governmental funds can also be classified as unassigned.

The Town has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned, and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the Town is to use committed resources first, followed by assigned, and then unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

The difference between assets and liabilities is "net position" on the government-wide, proprietary, and fiduciary fund statements. Net position is segregated into three categories on the government-wide statement of net position:

Net investment in capital assets - 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 position - Consists of net position 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. The Town first uses restricted net position for expenses incurred when both restricted and unrestricted net position are available for use. The use of restricted net position may be deferred based on a review of the specific transaction.

Unrestricted net position – The balance of net position that does not meet the definition of "restricted" or "net investment in capital assets."

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications and Net Position (Continued)

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation of the government-wide statements to the governmental fund financial statements. This reconciliation is necessary to bring the financial statements from the current financial resources measurement focus and modified accrual basis of accounting to the economic measurement focus and full accrual basis of accounting. Major items included in the reconciliation are capital assets, inventories and prepaids, long-term debt, accrued interest, long-term liabilities, and deferred revenue, which are shown on the government-wide but not the governmental fund statements.

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 the Debt Service Fund.

Budgets 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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 - CASH AND CASH EQUIVALENTS

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’s policy to ensure that there is no exposure to this risk is to require each financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. The policy is not a formal written policy. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand.

At June 30, 2018, the Town has cash and cash equivalents (book balances) totaling \$3,054,821 as follows:

Cash and cash equivalents:	
Demand deposits	\$ 607,770
Time deposits	2,337,736
Other	1,063
Total	<u>2,946,569</u>
Cash and cash equivalents – restricted:	
Demand deposits	44,232
Time deposits	64,020
Total	<u>108,252</u>
Total	<u><u>\$ 3,054,821</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 fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of June 30, 2018, \$1,285,394 of the Town’s bank balances of \$3,124,954 was exposed to custodial credit risk as follows:

Bank balances	<u><u>\$ 3,124,954</u></u>
Insured by FDIC	<u>\$ 1,839,560</u>
Uninsured and uncollateralized	-
Collateralized by pledged securities not in the Town's name	<u>1,285,394</u>
Total balances exposed to custodial credit risk	<u>1,285,394</u>
Total bank balances	<u><u>\$ 3,124,954</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3 – RECEIVABLES

The following is a summary of receivables at June 30, 2018:

	<u>General</u>	<u>Sales Tax</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:					
Taxes	\$ -	\$ 128,408	\$ -	\$ -	\$ 128,408
Accounts and other	7,788	-	57,136	27,771	92,695
Gross receivables	<u>7,788</u>	<u>128,408</u>	<u>57,136</u>	<u>27,771</u>	221,103
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(5,173)</u>	<u>-</u>	(5,173)
 Net total receivables	 <u><u>\$ 7,788</u></u>	 <u><u>\$ 128,408</u></u>	 <u><u>\$ 51,963</u></u>	 <u><u>\$ 27,771</u></u>	 <u><u>\$ 215,930</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 67,000	\$ -	\$ -	\$ 67,000
Recreational vehicle hookups at park	1,270	-	-	1,270
Construction in progress	-	110,047	-	110,047
Total capital assets not being depreciated	<u>68,270</u>	<u>110,047</u>	<u>-</u>	<u>178,317</u>
Capital assets being depreciated:				
Infrastructure	2,870,655	-	-	2,870,655
Buildings	399,237	-	-	399,237
Building improvements	201,993	-	-	201,993
Furniture and equipment	522,790	68,591	(11,485)	579,896
Other improvements	8,750	-	-	8,750
Vehicles	271,773	-	(19,835)	251,938
Total capital assets being depreciated	<u>4,275,198</u>	<u>68,591</u>	<u>(31,320)</u>	<u>4,312,469</u>
Less accumulated depreciation for:				
Infrastructure	1,261,014	77,171	-	1,338,185
Buildings	399,237	-	-	399,237
Building improvements	186,685	1,870	-	188,555
Furniture and equipment	387,779	35,885	(11,485)	412,179
Other improvements	1,314	876	-	2,190
Vehicles	204,503	17,176	(19,835)	201,844
Total accumulated depreciation	<u>2,440,532</u>	<u>132,978</u>	<u>(31,320)</u>	<u>2,542,190</u>
Total capital assets being depreciated	<u>1,834,666</u>	<u>(64,387)</u>	<u>-</u>	<u>1,770,279</u>
Governmental activities, capital assets, net	<u>\$ 1,902,936</u>	<u>\$ 45,660</u>	<u>\$ -</u>	<u>\$ 1,948,596</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities - Water:				
Capital assets not being depreciated:				
Land	\$ 10,756	\$ -	\$ -	\$ 10,756
Construction in progress	-	6,800	-	6,800
Total capital assets not being depreciated	<u>10,756</u>	<u>6,800</u>	<u>-</u>	<u>17,556</u>
Capital assets being depreciated:				
Infrastructure	3,959,114	151,365	-	4,110,479
Building improvements	27,954	-	-	27,954
Furniture and equipment	111,155	2,925	-	114,080
Vehicles	92,929	-	-	92,929
Total capital assets being depreciated	<u>4,191,152</u>	<u>154,290</u>	<u>-</u>	<u>4,345,442</u>
Less accumulated depreciation for:				
Infrastructure	2,557,304	82,860	-	2,640,164
Building improvements	20,710	2,021	-	22,731
Furniture and equipment	111,155	98	-	111,253
Vehicles	79,962	5,366	-	85,328
Total accumulated depreciation	<u>2,769,131</u>	<u>90,345</u>	<u>-</u>	<u>2,859,476</u>
Total capital assets being depreciated	<u>1,422,021</u>	<u>63,945</u>	<u>-</u>	<u>1,485,966</u>
Business-type activities - Water, capital assets, net	<u>\$ 1,432,777</u>	<u>\$ 70,745</u>	<u>\$ -</u>	<u>\$ 1,503,522</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities - Sewer:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 474,318	\$ -	\$ 474,318
Capital assets being depreciated:				
Infrastructure	2,154,861	-	-	2,154,861
Buildings	1,815	-	-	1,815
Building improvements	3,472	-	-	3,472
Furniture and equipment	27,874	2,925	-	30,799
Total capital assets being depreciated	<u>2,188,022</u>	<u>2,925</u>	<u>-</u>	<u>2,190,947</u>
Less accumulated depreciation for:				
Infrastructure	845,745	54,342	-	900,087
Buildings	1,815	-	-	1,815
Building improvements	1,984	496	-	2,480
Furniture and equipment	27,876	96	-	27,972
Total accumulated depreciation	<u>877,420</u>	<u>54,934</u>	<u>-</u>	<u>932,354</u>
Total capital assets being depreciated	<u>1,310,602</u>	<u>(52,009)</u>	<u>-</u>	<u>1,258,593</u>
Business-type activities - Sewer capital assets, net	<u>\$ 1,310,602</u>	<u>\$ 422,309</u>	<u>\$ -</u>	<u>\$ 1,732,911</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Business-type activities - total:				
Capital assets not being depreciated:				
Land	\$ 10,756	\$ -	\$ -	\$ 10,756
Construction in progress	-	481,118	-	481,118
Total capital assets not being depreciated	<u>10,756</u>	<u>481,118</u>	<u>-</u>	<u>491,874</u>
Capital assets being depreciated:				
Infrastructure	6,113,975	151,365	-	6,265,340
Buildings	1,815	-	-	1,815
Building improvements	31,426	-	-	31,426
Furniture and equipment	139,029	5,850	-	144,879
Vehicles	92,929	-	-	92,929
Total capital assets being depreciated	<u>6,379,174</u>	<u>157,215</u>	<u>-</u>	<u>6,536,389</u>
Less accumulated depreciation for:				
Infrastructure	3,403,049	137,202	-	2,641,979
Buildings	1,815	-	-	2,480
Building improvements	22,694	2,517	-	50,703
Furniture and equipment	139,031	194	-	111,253
Vehicles	79,962	5,366	-	1,017,682
Total accumulated depreciation	<u>3,646,551</u>	<u>145,279</u>	<u>-</u>	<u>3,791,830</u>
Total capital assets being depreciated	<u>2,732,623</u>	<u>11,936</u>	<u>-</u>	<u>2,744,558</u>
Business-type activities - total, capital assets, net	<u>\$ 2,743,379</u>	<u>\$ 493,054</u>	<u>\$ -</u>	<u>\$ 3,236,433</u>

Depreciation expense was charged as follows:

Governmental activities:

General government	\$ 2,075
Public safety	20,368
Highways and streets	105,467
Culture and recreation	5,006
Economic development	62
Total	<u>\$ 132,978</u>

Business-type activities:

Water	\$ 90,345
Sewer	54,934
Total	<u>\$ 145,279</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund balances and transfers during the year ended June 30, 2018, were as follows:

		Due To				
		General	Street	Cemetery	Sewer	Total
Due From	Sales Tax	\$ 39,961	\$ 32,397	\$ -	\$ -	\$ 72,358
	Street	3,296	-	7,062	-	10,358
	Water	-	-	-	5,934	5,934
	Sewer	57,635	-	-	-	57,635
	Total	<u>\$ 100,892</u>	<u>\$ 32,397</u>	<u>\$ 7,062</u>	<u>\$ 5,934</u>	<u>\$ 146,285</u>

		Transfers out	
		Sales Tax	
		General	Tax
Transfers in	General		\$ 150,000
	Street		25,000
	Debt Service		34,477
	Total		<u>\$ 209,477</u>

Balances are due to electronic transfers from grantors, bills paid by other funds, or errors. 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 and sales tax 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 – 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, 2018, are comprised of the following issue:

Taxable Sewer Revenue Bonds:

\$1,000,000 State of Louisiana Taxable Sewer Revenue Bonds Series 2017, dated August 10, 2017, payable in twenty increasing annual installments commencing April 1, 2018, through April 1, 2037; interest payable each year on April 1 and October 1 at a rate of 0.45% per annum.

\$ 80,751

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Long-term obligation activity for the year ended June 30, 2018, 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	\$ 133,000	\$ -	\$ (133,000)	\$ -	\$ -
Compensated absences	30,864	21,540	(13,715)	38,689	8,536
Net pension liability - MERS	226,637	31,797	-	258,434	-
Net pension liability - MPERS	546,669	115,394	-	662,063	-
Governmental activity long-term liabilities	<u>\$ 937,170</u>	<u>\$ 168,731</u>	<u>\$ (146,715)</u>	<u>\$ 959,186</u>	<u>\$ 8,536</u>
	<u>Ending Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable	\$ -	\$ 83,751	\$ (3,000)	\$ 80,751	\$ -
Compensated absences	6,572	5,373	(5,183)	6,762	2,216
Net pension liability - MERS	111,626	15,664	-	127,290	-
Business-type activity long-term liabilities	<u>\$ 118,198</u>	<u>\$ 104,788</u>	<u>\$ (8,183)</u>	<u>\$ 214,803</u>	<u>\$ 2,216</u>

The Town has not completed drawing on the Series 2017 Sewer Revenue Bonds. Future payments are not yet known.

There are no significant limitations and restrictions contained in the various bond indentures.

Interest expense for governmental activities for the year ended June 30, 2018, totaled \$135,454.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – RETIREMENT SYSTEMS

Municipal Employees' Retirement System of Louisiana (System)

Plan Description

The Town of Oak Grove contributes to the Municipal Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality 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.

Any member of Plan B who was hired before January 1, 2013, can retire providing the member meets one of the following criteria:

1. Any age with 30 years of creditable service.
2. Age 60 with a minimum of ten or more years of creditable service.
3. Any age with ten years of creditable service eligible for disability benefits.
4. Survivor's benefits require five years creditable service at death of member.

Eligibility for retirement for Plan B members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven or more years of creditable service.
2. Age 62 with ten or more years of creditable service.
3. Age 55 with thirty or more years of creditable service.
4. Any age with twenty-five years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

Generally, the monthly amount of the retirement shall consist of an amount equal to 2% of the employee's final compensation multiplied by his or her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended June 30, 2018, the Town of Oak Grove's total payroll for all employees was \$399,460. Total covered payroll was \$346,635. Covered payroll refers to all compensation paid by the Town of Oak Grove to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The 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 (225) 925-4810, or by visiting the System's website www.mersla.com.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2018, the actual employer contribution rate was 13.25% for Plan B, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Under Plan B, members are required by state statute to contribute 5.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town of Oak Grove to the System monthly. The Town of Oak Grove's contributions to the System under Plan B for the year ending June 30, 2018 were \$45,929.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$385,723 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Oak Grove's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.445803%, which was an increase of 0.037721% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town of Oak Grove recognized a system pension expense of \$78,575 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, and current year contributions, which was (\$69,606). Total pension expense for the Town of Oak Grove for the year ended June 30, 2018 was \$8,969.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,020	\$8,374
Changes in assumptions	16,984	-
Net difference between projected and actual earnings on pension plan	81,270	-
Changes in employer's proportion of beginning net pension liability	17,629	5,614
Differences between employer and proportionate share of contributions	(949)	(105)
Subsequent measurement contributions	45,929	-
Total	\$162,883	\$13,883

The \$45,929 reported as deferred outflows of resources related to pensions resulting from the Town of Oak Grove's contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$37,250
2020	37,250
2021	37,250
2022	37,250

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 is as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.400%
Inflation rate	2.775%
Salary increases, including inflation and merit increases	5.000%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disabled lives mortality	For disabled annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.
Expected remaining service lives	4 years for Plan B

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.3%
Public fixed income	35%	1.6%
Alternatives	15%	0.7%
Totals	100%	4.6%
Inflation		2.6%
Expected arithmetic nominal return		7.2%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the years ended June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2016 is 4 years for Plan B.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

Sensitivity of the Town of Oak Grove's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town of Oak Grove's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the Town of Oak Grove's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.4%) or one percentage-point higher (8.4%) than the current rate:

	1.0% Decrease (6.4%)	Current Discount Rate (7.4%)	1.0% Increase (8.4%)
Employer's proportionate share of net pension liability	\$499,083	\$385,723	\$288,987

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$10,891, which is the legally required contribution due at June 30, 2018. This amount is recorded in accrued expenses.

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Municipal Employees' Retirement System of Louisiana Audit Report at www.mersla.com.

Municipal Police Employees' Retirement System of Louisiana (System)

Plan Description

The Town of Oak Grove contributes to the Municipal Police Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. Membership in the System is mandatory for all full-time police officers employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria.

Any member of the Plan who was hired before January 1, 2013, can retire providing the member meets on of the following criteria:

1. Any age with 25 years of creditable service.
2. Age 50 with a minimum of twenty or more years of creditable service.
3. Age 55 with a minimum of twelve or more years of creditable service.
4. After 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

The monthly amount of benefits are 3 1/3% of their average final compensation (employee's average monthly earnings during the highest 36 consecutive or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Eligibility for retirement for members hired on or after January 1, 2013 is as follows:

Hazardous Duty

1. Any age with 25 years of creditable service.
2. Age 55 with twelve or more years of creditable service.
3. After 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Non-Hazardous Duty

1. Any age with 30 years of creditable service.
2. Age 55 with 25 or more years of creditable service.
3. Age 60 with 10 or more years of creditable service.
4. After 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

The benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. The system also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended June 30, 2018, the Town of Oak Grove's total payroll for all employees was \$266,346. Total covered payroll was \$253,900. Covered payroll refers to all compensation paid by the Town of Oak Grove to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Police Employees' Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, or by calling (225) 929-7411, or by visiting the System's website www.lampers.org.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2018, the actual employer contribution rate was 30.75%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Members are required by state statute to contribute 10.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town of Oak Grove to the System monthly. The Town of Oak Grove's contributions to the System for the year ending June 30, 2018 were \$78,075.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Employer reported a liability of \$662,063 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Oak Grove's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.075834%, which was a decrease of 0.000025% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town of Oak Grove recognized a system pension expense of \$94,928 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, and current year contributions, which was (\$88,605). Total pension expense for the Town of Oak Grove for the year ended June 30, 2018 was \$6,323.

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$4,335	\$5,089
Changes in assumption	47,109	-
Net difference between projected and actual earnings on pension plan investments	28,983	-
Changes in employer's portion of beginning net pension liability	120,582	34,179
Differences between employer contributions and proportionate share of employer contributions	6,293	4,738
Subsequent measurement contributions	78,075	-
Total	\$285,377	\$44,006

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

The \$78,075 reported as deferred outflows of resources related to pensions resulting from the Town of Oak Grove contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$60,193
2020	60,193
2021	60,193
2022	60,193

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 as follows:

Valuation Date	June 30, 2017	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Investment Rate of Return	7.325%, net of investment expense	
Inflation rate	2.70%	
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
Projected salary increases	Years of service	Salary growth rate
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Expected remaining service lives	4 years	
Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period of July 1, 2009 through June 30, 2014, and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables. The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	53%	3.66%
Fixed income	21%	0.52%
Alternatives	20%	1.10%
Other	6%	0.16%
Totals	100%	5.44%
Inflation		2.75%
Expected arithmetic nominal return		8.19%

Discount Rate

The discount rate used to measure the total pension liability was 7.325%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

Sensitivity of the Town of Oak Grove's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town of Oak Grove's proportionate share of the net pension liability calculated using the discount rate of 7.325%, as well as what the Town of Oak Grove's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.325%) or one percentage-point higher (8.325%) than the current rate:

	1.0% Decrease (6.325%)	Current Discount Rate (7.325%)	1.0% Increase (8.325%)
Employer's proportionate share of net pension liability	\$914,704	\$662,063	\$450,115

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$18,088, which is the legally required contribution due at June 30, 2018. This amount is recorded in accrued expenses.

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Municipal Police Employees' Retirement System of Louisiana Audit Report at www.lampers.org.

NOTE 8 – 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 \$39,546. The related expenditures of \$39,546 are included in public safety expenditures in the General Fund.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Town operates 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 contracts with a professional wastewater management company to ensure compliance with the EPA regulations.

As of June 30, 2018, the Town had a contractual commitment of \$1,487,189 for a sewer improvement project. Accounts payable as of June 30, 2018, in Business-Type Activities and in the Sewer Fund, included \$416,943 payable under this contract.

At June 30, 2018, the Town was involved in one lawsuit which the Town plans to vigorously contest.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – STEWARDSHIP

For the year ended June 30, 2018, the following funds’ total expenditures and other uses exceeded final budgeted amounts:

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General	\$ 553,886	\$ 598,000	\$ 667,411	\$ 69,411
Sales Tax	729,446	688,000	800,695	112,695
Street	81,500	101,000	107,969	6,969
Economic Development	1,000	43,000	45,492	2,492

NOTE 12 – NEW ACCOUNTING STANDARDS

GASB has issued the following statements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* - The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. This statement has been implemented.

Statement No. 83, *Certain Asset Retirement Obligations* - The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 84, *Fiduciary Activities* - The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This statement does not affect these financial statements.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 12 – NEW ACCOUNTING STANDARDS (CONTINUED)

Statement No. 85, *Omnibus 2017* - The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 86, *Certain Debt Extinguishment Issues* - The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 87, *Leases* - For reporting periods beginning after December 15, 2019. This statement does not affect these financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* - The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This statement does not affect these financial statements.

The Town has not yet evaluated the statements that are not yet effective to determine how the statements will affect reporting of the entity's financial position and results of operations.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

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

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 166,000	\$ 173,000	\$ 177,601	\$ 4,601
Intergovernmental revenues	34,000	39,000	95,080	56,080
Licenses and permits	111,000	107,000	139,245	32,245
Charges for services	10,000	7,000	3,800	(3,200)
Fines	73,000	48,000	48,621	621
Lease income	7,000	10,000	9,011	(989)
Interest earned	3,000	3,000	2,301	(699)
Other revenues	2,000	9,000	16,163	7,163
Total revenues	<u>406,000</u>	<u>396,000</u>	<u>491,822</u>	<u>95,822</u>
Expenditures:				
Current:				
General government	165,000	162,000	173,682	(11,682)
Public safety	386,886	433,000	437,083	(4,083)
Highways and streets	-	-	3,260	(3,260)
Health and welfare	1,000	1,000	1,138	(138)
Culture and recreation	1,000	2,000	1,073	927
Capital outlay	-	-	51,175	(51,175)
Total expenditures	<u>553,886</u>	<u>598,000</u>	<u>667,411</u>	<u>(69,411)</u>
Excess (deficiency) of revenues over expenditures	<u>(147,886)</u>	<u>(202,000)</u>	<u>(175,589)</u>	<u>26,411</u>
Other financing sources (uses):				
Transfers in	100,000	100,000	150,000	50,000
Proceeds from sale of capital assets	-	2,000	1,500	(500)
Total other financing sources (uses)	<u>100,000</u>	<u>102,000</u>	<u>151,500</u>	<u>49,500</u>
Net change in fund balances	(47,886)	(100,000)	(24,089)	75,911
Fund balances at beginning of year	192,873	257,801	257,801	-
Fund balances at end of year	<u>\$ 144,987</u>	<u>\$ 157,801</u>	<u>\$ 233,712</u>	<u>\$ 75,911</u>

Note: This schedule is prepared on the modified accrual basis.

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

**SPECIAL REVENUE FUND – SALES TAX FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 720,000	\$ 724,000	\$ 674,542	\$ (49,458)
Intergovernmental revenues	-	23,000	22,731	(269)
Interest earned	13,000	5,000	19,991	14,991
Other revenues	-	1,000	1,068	68
Total revenues	<u>733,000</u>	<u>753,000</u>	<u>718,332</u>	<u>(34,668)</u>
Expenditures:				
Current:				
General government	322,040	333,000	339,412	(6,412)
Public safety	25,000	25,000	24,855	145
Highways and streets	113,406	124,000	109,382	14,618
Health and welfare	8,000	3,000	3,205	(205)
Culture and recreation	24,000	44,000	4,317	39,683
Capital outlay	-	-	110,047	(110,047)
Total expenditures	<u>492,446</u>	<u>529,000</u>	<u>591,218</u>	<u>(62,218)</u>
Excess (deficiency) of revenues over expenditures	<u>240,554</u>	<u>224,000</u>	<u>127,114</u>	<u>(96,886)</u>
Other financing sources:				
Transfers out	<u>(237,000)</u>	<u>(159,000)</u>	<u>(209,477)</u>	<u>(50,477)</u>
Total other financing sources	<u>(237,000)</u>	<u>(159,000)</u>	<u>(209,477)</u>	<u>(50,477)</u>
Net change in fund balances	3,554	65,000	(82,363)	(147,363)
Fund balances at beginning of year	<u>1,630,105</u>	<u>1,667,034</u>	<u>1,677,034</u>	<u>10,000</u>
Fund balances at end of year	<u>\$ 1,633,659</u>	<u>\$ 1,732,034</u>	<u>\$ 1,594,671</u>	<u>\$ (137,363)</u>

Note: This schedule is prepared on the modified accrual basis.

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

**SPECIAL REVENUE FUND – STREET FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 71,000	\$ 75,000	\$ 72,673	\$ (2,327)
Intergovernmental revenues	27,400	-	-	-
Interest earned	1,000	-	198	198
Other revenues	-	-	89	89
Total revenues	<u>99,400</u>	<u>75,000</u>	<u>72,960</u>	<u>(2,040)</u>
Expenditures:				
Current:				
General government	1,000	1,000	1,423	(423)
Highways and streets	80,500	93,000	99,479	(6,479)
Capital outlay	-	7,000	7,067	(67)
Total expenditures	<u>81,500</u>	<u>101,000</u>	<u>107,969</u>	<u>(6,969)</u>
Excess (deficiency) of revenues over expenditures	<u>17,900</u>	<u>(26,000)</u>	<u>(35,009)</u>	<u>(9,009)</u>
Other financing sources:				
Transfers in	-	25,000	25,000	-
Proceeds from sale of capital assets	-	-	1,510	1,510
Total other financing sources	<u>-</u>	<u>25,000</u>	<u>26,510</u>	<u>1,510</u>
Net change in fund balances	17,900	(1,000)	(8,499)	(7,499)
Fund balances at beginning of year	52,438	52,773	52,773	-
Fund balances at end of year	<u>\$ 70,338</u>	<u>\$ 51,773</u>	<u>\$ 44,274</u>	<u>\$ (7,499)</u>

Note: This schedule is prepared on the modified accrual basis.

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

**SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Interest earned	\$ 1,000	\$ 1,000	\$ 363	\$ (637)
Other revenues	-	153,000	-	(153,000)
Total revenues	<u>1,000</u>	<u>154,000</u>	<u>363</u>	<u>(153,637)</u>
Expenditures:				
Current:				
Economic development	<u>1,000</u>	<u>43,000</u>	<u>45,492</u>	<u>(2,492)</u>
Net change in fund balances	-	111,000	(45,129)	(156,129)
Fund balances at beginning of year	<u>210,959</u>	<u>355,010</u>	<u>355,010</u>	-
Fund balances at end of year	<u>\$ 210,959</u>	<u>\$ 466,010</u>	<u>\$ 309,881</u>	<u>\$ (156,129)</u>

Note: This schedule is prepared on the modified accrual basis.

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

**SPECIAL REVENUE FUND – CEMETERY FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 28,000	\$ 30,000	\$ 29,578	\$ (422)
Charges for services	12,000	6,000	7,050	1,050
Interest earned	5,000	2,000	2,211	211
Total revenues	<u>45,000</u>	<u>38,000</u>	<u>38,839</u>	<u>839</u>
Expenditures:				
Current:				
General government	-	1,000	626	(374)
Cemeteries	45,371	50,000	49,120	(880)
Capital outlay	-	10,000	10,349	349
Total expenditures	<u>45,371</u>	<u>61,000</u>	<u>60,095</u>	<u>(905)</u>
Net change in fund balances	(371)	(23,000)	(21,256)	1,744
Fund balances at beginning of year	344,857	326,790	326,790	-
Fund balances at end of year	<u>\$ 344,486</u>	<u>\$ 303,790</u>	<u>\$ 305,534</u>	<u>\$ 1,744</u>

Note: This schedule is prepared on the modified accrual basis.

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

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
2014	0.448843%	\$ 210,730	\$ 290,787	72.47%	73.99%
2015	0.409423%	278,262	284,084	97.95%	66.18%
2016	0.408082%	338,263	299,819	112.82%	63.34%
2017	0.445803%	385,723	330,476	116.72%	63.49%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
2014	0.051940%	\$ 345,298	\$ 172,519	200.15%	75.10%
2015	0.068942%	540,088	183,666	294.06%	70.73%
2016	0.058325%	546,670	161,684	338.11%	66.04%
2017	0.075834%	662,063	221,912	298.34%	70.08%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 26,988	\$ 26,988	\$ -	\$ 284,084	9.50%
2015	28,483	28,483	-	299,819	9.50%
2016	36,352	36,352	-	330,476	11.00%
2017	45,929	45,929	-	346,635	13.25%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 57,992	\$ 57,992	\$ -	\$ 183,666	31.57%
2015	48,559	48,559	-	161,684	30.03%
2016	70,457	70,457	-	221,912	31.75%
2017	78,075	78,075	-	253,900	30.75%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY SCHEDULES

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

**SCHEDULE OF COMPENSATION, BENEFITS, REIMBURSEMENTS
AND OTHER PAYMENTS TO OR ON BEHALF OF AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2018**

Adam T. Holland, Mayor:

Salary	\$ 18,000
Benefits	1,377
Reimbursements:	
Conference registrations and travel expenses	<u>4,120</u>
Total	<u>\$ 23,497</u>

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

**SCHEDULE OF COMPENSATION TO TOWN COUNCIL
FOR THE YEAR ENDED JUNE 30, 2018**

Cherry P. Rye, Mayor Pro-Tem	\$ 1,200
Noel Haynes	1,000
James E. Philley	1,200
Todd Nevels	1,200
Garland C. Walker	1,200
Total	<u>\$ 5,800</u>

OTHER REPORTS



INDEPENDENT AUDITOR'S 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*

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Oak Grove, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Oak Grove, Louisiana's basic financial statements and have issued our report thereon dated December 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Oak Grove, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Oak Grove, Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2018-002 through 2018-007, 2018-011, and 2018-014 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings as items 2018-008 and 2018-009 to be significant deficiencies.

Town of Oak Grove
Oak Grove, Louisiana
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
June 30, 2018

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Oak Grove, Louisiana's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings costs as items 2018-001, 2018-010, 2018-012 and 2018-013.

Town of Oak Grove's Response to Findings

Town of Oak Grove, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings. Town of Oak Grove, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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.

BOSCH & STATHAM, LLC



Ruston, Louisiana
December 26, 2018

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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. Eight material weaknesses and two significant deficiencies are reported in the Independent Auditor's 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*.
3. Four instances of noncompliance material to the financial statements which were required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. A management letter was issued.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Current Year

2018-001 Failure to Comply with the Local Government Budget Act

Year First Reported

2016

Type

Compliance

Criteria

The Louisiana Local Government Budget Act requires published notice that the budget is available for public inspection.

Condition

The Town published notice of a public hearing on the budget, but the notice did not indicate that the budget was available for inspection.

Cause

Internal control policies and procedures did not prevent noncompliance.

Effect

The Town appears to have violated the Act.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Recommendation

We recommend that management evaluate all the requirements of the Act for the purpose of designing and implementing procedures to ensure compliance with all requirements. The assistance of the Town Attorney is also recommended.

Management's Response

See management's corrective action plan.

2018-002 Accounting System Setup Errors

Year First Reported

2017

Type

Material Weakness

Criteria

Basic internal control includes accurate setup of the accounting system.

Condition

We noted the following issues while completing our audit procedures:

1. Some accounts were classified incorrectly in the accounting system as to type (asset, liability, revenue, expenditure).
2. The accounting system uses payroll items to process payroll. Each payroll item is linked to a general ledger account. Some of the payroll items had been linked to expense accounts instead of Due from Other Funds.
3. The Town had two active USDA grants. The activity had not been recorded. The bank accounts had not been reconciled.

Cause

1. Accounting personnel may not understand the requirements.
2. USDA receives the bank statements. The Town must request the statements from the bank or USDA.
3. The internal control system does not include adequate monitoring procedures. No one has been reviewing the general ledger for errors and unusual items.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Effect

1. When accounts are not properly classified, improper automatic entries are recorded, or proper automatic entries are not recorded, depending on the classification. For example, if an account is set up as an expense account instead of a liability account, the transactions close to equity at year end instead of accumulating in the liability account on the balance sheet.
2. When payroll items are not linked to proper accounts, payroll transactions are posted to improper accounts. In some cases, expenses are recorded in the payroll fund instead of Due from Other Funds.
3. Funds are incomplete. Revenues and expenditures are understated.
4. Cash is understated.

Recommendation

We recommend the following:

1. Accounting clerks should obtain an understanding of the proper set up of accounts and payroll items.
2. Accounting clerks should correct the current misclassifications.
3. The Town Clerk should obtain the USDA bank statements monthly to ensure activity is posted and reconciled.
4. The Town Clerk should review the monthly general ledger of each fund for errors and unusual items.

Management's Response

See management's corrective action plan.

2018-003 Purchasing System Not Properly Designed or Implemented

Year First Reported

2017

Type

Material Weakness

Criteria

To prevent unauthorized purchases, waste, and overspending, the purchasing system should be designed to ensure that purchases are properly authorized, are necessary and reasonable, and within the Town's budgeted expenditures. The duties involving authorization, custody, and recording should be segregated.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Condition

While obtaining an understanding of the Town's purchasing system and testing disbursements, we noted the following deficiencies:

1. Purchase requisitions are not used.
2. Purchase orders appear to be completed after purchases are made. They appear to recap receipts or invoices as they are very detailed and typically match the receipt or invoice amounts.

Excluding certain types of payments, such as payroll related items, we performed a test of disbursements that exceeded \$9,999. We noted the following issues:

1. In the governmental funds, three out of six were not properly supported by invoices or other documentation, two out of six purchases were not properly authorized, and four out of five disbursements were not supported by evidence that goods or services were received (receiving reports or signed invoices).
2. In the Water and Sewer Funds, one out of eight disbursements were not properly supported by invoices or other documentation, six out of seven disbursements were not supported by evidence that goods or services were received (receiving reports or signed invoices).

Cause

Internal controls are not properly designed.

Effect

The auditor is unable to determine who initiated the purchase. The purchase cannot be properly evaluated and authorized. The Town may incur unnecessary expenditures or exceed its budgeted expenditures.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Recommendation

We recommend that the purchasing system be evaluated and revised to include:

1. Purchase requisitions – The employee requesting the purchase should complete a form that lists what is being requested and explains the purpose of the purchase.
2. Purchase orders – After consideration of the current budget to actual amounts, an employee with suitable authority and knowledge should prepare a purchase order listing the items to be purchased, estimating the cost for each item, and designating the vendor to be used. The purchase order should be signed. The Town should purchase only from vendors approved by management. Approved vendors should be notified that the Town requires them to obtain purchase orders before authorizing purchases on credit in the Town's name.
3. Receiving reports – A responsible employee should sign a receiving report (if one is provided by the vendor) or the invoice or receipt to certify that goods or services were received by the Town.
4. Proper segregation of duties – The duties of authorization, custody, and recording should be separated. No one person should be able to initiate a purchase, authorize a purchase, receive the goods, and record the purchase. No one person should be able to perform more than one of those duties. If it is necessary to assign multiple duties to one employee, oversight procedures must be sufficient to mitigate the risk caused by assigning incompatible duties.
5. Review of invoices – A responsible employee should match the invoice from the vendor to the purchase requisition, purchase order, and receiving report. If there is no receiving report, the employee should require that the appropriate employee sign the invoice. This process should be complete before the invoice is submitted for payment.

Management's Response

See management's corrective action plan.

2018-004 Security Deficiencies

Year First Reported

2017

Type

Material Weakness

Criteria

Proper internal control includes adequate physical security.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Condition

Town Hall houses the Mayor's office, the Town Clerk's office, the governmental accounting offices, the utility accounting office, and the police department. Payments for citations, licenses, and taxes are collected by two employees in the governmental accounting offices. Payments for utility charges are collected in the utility office. The utility office is secured behind bullet proof glass and a locked door. The governmental accounting offices, where two employees work, are separated from the rest of the building only by wooden doors that open in half.

Cause

The internal control system is not adequately designed.

Effect

Funds are at risk for theft. There may be an unreasonably high safety risk for employees.

Recommendation

We recommend the following:

1. Evaluate physical controls over all town assets to include cash on hand, materials, supplies and equipment.
2. Evaluate employees' safety risk in all areas.
3. Ensure the vault is locked at all times.
4. Install physical safeguards, such as those used in the utility office, in the governmental accounting offices and anywhere else deemed necessary.
5. Consider solutions to reduce risk of theft of assets and harm to employees. One possible solution would be to move all cash collections to the utility office.

Management's Response

See management's corrective action plan.

2018-005 Lack of Segregation of Duties

Year First Reported

2017

Type

Material Weakness

Criteria

Proper internal control includes adequate segregation of the duties of authorization, custody, and recording.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Condition

In performing our audit procedures, we identified the following deficiencies:

1. Collections:
 - a. Payments are collected primarily by the police department secretary, the governmental accounting clerk, and two utility department accounting clerks. The Town Clerk collects payments for governmental funds when other employees are unavailable.
 - b. The Town Clerk serves in an oversight capacity. The police officers have authority and maintain ticket book records. The police department secretary is also responsible for recording payments on tickets and reporting unpaid tickets to the appropriate authorities. The governmental accounting clerk maintains the record of taxes paid and unpaid and the general ledgers of all of the governmental funds. The utility accounting clerks maintain the customer subsidiary records and the general ledgers for the water and sewer funds.
 - c. There are two cash drawers in the governmental accounting offices. Both the police department secretary and the governmental accounting clerk work out of the drawers. There are two drawers in the utility office which both clerks work out of.
 - d. All four employees in the governmental and utility offices close out the drawers and prepare deposits.
 - e. The governmental accounting clerk and the two utility clerks reconcile bank accounts. However, reconciliations are manually recalculated by a second clerk.
2. Cash disbursements:
 - a. The governmental accounting clerk can add or delete vendors, initiates the payment of accounts payable, prepares checks, posts checks, and mails checks.
 - b. The utility accounting clerks can add or delete vendors, initiate the payment of accounts payable, prepare checks, post checks, and mail checks.
 - c. The accounting clerks maintain the supply of unused checks and the Mayor's signature stamp.
3. Meter deposit refunds – The utility clerks process closed accounts and issue refunds to customers without review or approval from management.

Cause

The internal control system is not adequately designed.

Effect

The Town is at risk for loss of funds and unauthorized and/or improper disbursements.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Recommendation

We recommend the following:

1. Management is responsible for the monitoring component of internal control for all funds and departments. The internal control system should include procedures for monitoring (supervision and review). The Town Clerk should review evidence that other personnel are following internal control procedures. For example, she should review samples of support for disbursements to ensure that the disbursements were supported by proper invoices with the proper signatures and purchase orders. She should review the general ledgers of each fund periodically to verify that transactions are being classified properly. She should review bank reconciliations and bank statements to ensure that reconciliations are timely and reconciling items are appropriate.
2. Management should consider ways to redistribute duties among the four clerks to achieve a proper segregation of duties. A possible solution would be to assign duties to a Cashier; a Utility Billing Clerk; a Bookkeeper(s); and a Records Clerk. The Cashier would only collect payments and would have no access to any records or computer systems except to post payments. The Utility Billing Clerk would only process utility bills and post transactions to the utility billing software. The Bookkeeper(s) (or Bookkeeper and Payroll Clerk) would maintain the accounting records (currently in QuickBooks) to include posting deposits in all funds, printing/posting checks, and processing payroll (currently three employees take turns processing payroll). The Records Clerk would maintain the records for ad valorem taxes, police citations, the cemetery, and licenses and permits. Alternatively, there should be a preparer and a reviewer for each transaction or task. For example, if one employee processes payroll, another employee should review. Each employee should initial and date documents (time cards/time sheets, check details, payroll tax returns, etc.) produced during the process.
3. Each employee that collects payments should use a separate locked drawer, tray, or bag, that only they have access to.

Management's Response

See management's corrective action plan.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

2018-006 Lack of Written Policies and Procedures

Year First Reported

2017

Type

Material Weakness

Criteria

Basic internal control guidelines and the Louisiana Legislative Auditor's Best Practices publication require that Town policies and procedures be in written form and approved by the governing board.

Condition

The Town Council has not yet approved written policies and procedures for the following processes:

1. Purchasing
2. Disbursements
3. Receipts
4. Contracting
5. Credit Cards
6. Ethics
7. Debt Service

The personnel policy is in writing, but the policy does not include payroll processing policies and procedures.

Cause

The internal control system is not adequately designed.

Effect

Management may not have effectively and thoroughly communicated acceptable practices, unacceptable practices, expectations, and lines of authority to employees.

Recommendation

We recommend that management continue to write and revise policies and procedures for the Council's approval. We further recommend that management monitor practice to ensure that such policies and procedures are followed.

Management's Response

See management's corrective action plan.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

2018-007 Deficiencies in Payroll System

Year First Reported

2017

Type

Material Weakness

Criteria

Best practices require that policies and procedures include documentation to substantiate costs charged to the Town and to demonstrate compliance with federal, state, and local laws and regulations.

With respect to leave, the employee manual states, "Annual leave may be taken as earned by an employee with the approval of the employee's department head. However, vacation leave is permissive and may be denied by the heads of the department or the mayor when conditions are such that the ordinary work of the Town could not be performed adequately if vacation leave were granted."

With respect to comp time, the employee manual states, "The Town of Oak Grove does not provide comp time as a means of compensation. Overtime pay will not be paid to those supervisory positions appointed by the Town Council (city clerk, chief of police and town superintendent)."

Condition

In obtaining our understanding of the payroll process and testing selected payroll transactions, we noted the following:

1. Records of attendance are only required of employees who are paid by the hour.
2. Leave requests are not used in some instances. There is no supervisor approval of leave requests. In some instances, the leave form is not a request, but a record of leave already taken.
3. Contribution reports to the Municipal Employees' Retirement System did not match the payroll records for one month out of the last quarter.
4. It appears that employees are receiving time off for overtime worked without a written policy in place and without a formal record of time earned.

Cause

The internal control system is not properly designed. Management has concluded that the cost of implementing certain controls exceeds the benefit of such controls.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Effect

A lack of records of attendance, even for salaried employees, may result in an employee being paid for time not worked either in a regular pay period or at the end of employment, in a case where an employee receives pay for unused leave. The compensation of salaried employees is based on a minimum number of hours worked per year.

Employees may have been paid for time off without approval.

Retirement contributions may have been made in incorrect amounts.

Recommendation

We recommend the following:

1. Management should design and implement a means for everyone to report attendance.
2. Except for emergencies and unexpected illnesses, management should require leave requests to be completed and submitted to supervisors for approval before leave is taken.
3. Someone other than the preparer of retirement system reports and payroll tax returns should review the returns before they are filed.
4. A responsible person should document when retirement system reports and payroll tax returns are filed/mailed.
5. Management should enforce the employee manual with respect to comp time or revise the policy. Any policy change should be prospective, not retroactive.

Management's Response

See management's corrective action plan.

2018-008 No Physical Inventory of Assets

Year First Reported

2017

Type

Significant Deficiency

Criteria

Best practices and various regulations require annual physical inventory of capital and other assets.

Condition

The Town has not recently performed a physical inventory of capital assets or small assets such as tools.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Cause

The internal control system is not adequately designed.

Effect

Theft, misuse, or declines in value could go unnoticed. Financial statements could be misstated by including missing assets or by failing to revise depreciation.

Recommendation

We recommend that written policies and procedures include an annual inventory based on the depreciation schedule (capital assets) and the inventory list (small assets such as tools small equipment that is below the capitalization threshold). Notation should be made if the condition of an asset is not consistent with the depreciated value.

Management's Response

See management's corrective action plan.

2018-009 Receipts Not Timely Deposited

Year First Reported

2017

Type

Significant Deficiency

Criteria

Best practices include depositing collections within one business day.

Condition

During our test of collections, we noted that twenty-eight out of sixty-three receipts were not deposited timely.

Cause

The Town's unwritten policy is to deposit once or twice a month.

Effect

The Town is at risk for loss of funds due to theft or misplacement. Receipts are sometimes not posted to the correct time period.

Recommendation

We recommend that the Town design and implement a policy to ensure that collections are deposited in a timelier manner, if not daily.

Management's Response

See management's corrective action plan.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

2018-010 Possible Violations of Louisiana Constitution

Year First Reported

2017

Type

Compliance

Criteria

Article VII, Section 14 of the Louisiana Constitution states in part, "Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Except as otherwise provided in this Section, neither the state nor a political subdivision shall subscribe to or purchase the stock of a corporation or association or for any private enterprise."

The Louisiana Attorney General has issued multiple opinions on this issue.

Condition

The Town pays health insurance premiums for employees. The Town allows employees who request health coverage for their families to reimburse the Town for the premiums. In many instances, the Town pays the insurance premiums several days before the employees reimburse the Town. The reimbursement is not achieved through payroll deductions.

The Town has historically paid holiday pay to police officers each December to compensate for working holidays during the year. In November 2016, the Council voted to increase holiday pay from \$300 to \$500. It appears that this payment may violate the Constitution unless the payment is for future service.

Cause

It appears that management was not aware that these transactions may violate the Constitution.

Effect

The payments may have been made in violation of the Constitution.

Recommendation

We recommend that management ensure that payments from employees for insurance premiums are received before the Town disburses funds.

We recommend that management consider a change to the method by which officers are compensated for holiday pay and incorporate that change into the personnel policy. An amount per hour worked on holidays may be a more appropriate way to compensate the officers. Management should consider the Fair Labor Standards Act in developing the policy.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Management's Response

See management's corrective action plan.

2018-011 Internal Control System Lacks Basic Components

Year First Reported

2017

Type

Material Weakness

Criteria

Standards for Internal Control in the Federal Government (The Green Book) and the COSO report include the following five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring. These standards are generally followed by state and local governments.

Condition

The Town's internal control system appears to lack proper risk assessment, information and communication, and monitoring.

Cause

The internal control system is not adequately designed.

Effect

The System may not effectively reduce the risk of material misstatement to an acceptable level.

Recommendation

We recommend that management design and implement formal risk assessment and monitoring procedures. These procedures should be incorporated into the Town's written policies and procedures.

More specifically, we recommend that the Mayor and the Town Clerk meet formally at least annually to evaluate the internal control system and consider whether risks of misstatement due to fraud or error are reduced to an acceptable level. The assessment should be documented.

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

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

Further, we recommend that the Town Clerk review at least a sample of the following documents monthly:

1. Budget to Actual reports by fund
2. Balance Sheets by fund
3. Bank statements
4. Bank reconciliations
5. General ledgers
6. General journals
7. Deposit details
8. Check registers
9. Receipt books to deposits
10. Reports of unpaid tickets
11. Reports of unpaid taxes
12. Utility billing registers, payment registers, adjustment registers
13. Meter deposit reconciliations

Management's Response

See management's corrective action plan.

2018-012 Quotes for Fuel

Year First Reported

2017

Type

Compliance

Criteria

Louisiana's public bid law states in part, "All purchases of any materials or supplies exceeding the sum of thirty thousand dollars to be paid out of public funds shall be advertised and let by contract to the lowest responsible bidder who has bid according to the specifications as advertised, and no such purchase shall be made except as provided in this Part. However, purchases of ten thousand dollars or more, but less than thirty thousand dollars, shall be made by obtaining not less than three telephone or facsimile quotations. A written confirmation of the accepted offer shall be obtained and made a part of the purchase file. If quotations lower than the accepted quotation are received, the reasons for their rejection shall be recorded in the purchase file."

Condition

The Town's fuel purchases for fiscal year 2018 and 2017 totaled \$30,208 and \$25,803, respectively. The purchases were made from local service stations. No quotes or bids were obtained.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Cause

Management believed quotes and bids were not required since the Town does not have fuel tanks and there were no other vendor types in the Town.

Effect

The Town may have violated the bid law and may have spent more than necessary on fuel.

Recommendation

We recommend that management advertise for bids or request quotes from available vendors, consult with counsel regarding the requirements of the bid law, or request an opinion from the Louisiana Attorney General.

Management's Response

See management's corrective action plan.

2018-013 Late Publication of Minutes

Year First Reported

2018

Type

Compliance

Criteria

Louisiana Revised Statute 42:20 states, "Written minutes A. All public bodies shall keep written minutes of all of their open meetings. The minutes to be kept by the legislature and legislative committees and subcommittees shall be governed by the provisions of R.S. 42:21. The minutes of all other public bodies shall include but need not be limited to: (1) The date, time, and place of the meeting. (2) The members of the public body recorded as either present or absent. (3) The substance of all matters decided, and, at the request of any member, a record, by individual member, of any votes taken. (4) Any other information that the public body requests be included or reflected in the minutes. B.(1) The minutes shall be public records and shall be available within a reasonable time after the meeting, except where such disclosures would be inconsistent with R.S. 42:16, 17, and 18, or rules adopted under the provisions of R.S. 42:21. (2) If the public body has a website, the public body shall post on its website a copy of the minutes made available pursuant to Paragraph (1) of this Subsection and shall maintain the copy of those minutes on the website for at least three months after the posting. If the public body is required to publish its minutes in an official journal, the public body shall post its minutes on its website as required by this Paragraph within ten days after publication in the official journal. If the public body is not required to publish its minutes in an official journal, the public body shall post its minutes on its website as required by this Paragraph within a reasonable time after the meeting. The inability of the public to access the public body's website due to any type of technological failure shall not be a violation of the provisions of this Chapter."

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

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

Louisiana Revised State 43:144 states, "Penalty for failure to have proceedings published. The official of any municipal corporation, police jury, or school board by law responsible for the preparing and recording of the official proceedings who, within twenty days from the date of any meeting at which the official proceedings were had, willfully neglects or fails to furnish the official journal with a copy of the minutes, ordinances, resolutions, budgets, and proceedings for publication, shall be fined not less than twenty-five dollars nor more than five hundred dollars, or be imprisoned for not less than ten days nor more than six months, or both."

Condition

We selected a sample of eight meetings to test compliance with publication requirements. Minutes for four out of eight meetings were published more than twenty days after the meeting date. Minutes for one of eight meetings appears not to have been published.

Cause

The failure to publish appears to be an oversight.

Effect

The Town did not comply with state law concerning minutes.

Recommendation

We recommend that the Town Clerk review policies and procedures to ensure that policies and procedures are adequately designed and monitored to prevent noncompliance.

Management's Response

See management's corrective action plan.

2018-014 Internal Control over Grant Administration

Year First Reported

2018

Type

Material Weakness

Criteria

Proper internal control over grant administration includes ensuring that all documents and correspondence are filed in an orderly fashion; that all transactions are properly posted as to fund, account, and period; and that transactions are compared to other documentation (reports from grantors, bank statements, etc.) to determine completeness of reporting.

Condition

During tests of grant revenues, expenditures, and reporting of grants, we noted posting errors and had difficulty initially obtaining documents.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Cause

Internal control is not properly designed.

Effect

Grant reports and Town financial statements may be inaccurate. Grant costs could be questioned. The Town could fail to comply with certain grantor requirements.

Recommendation

We recommend that management design and implement written policies and procedures for grants to ensure proper administration, compliance, and financial reporting.

Management's Response

See management's corrective action plan.

Prior Year

2017-001 Failure to Comply with the Local Government Budget Act

The finding is repeated as 2018-001.

2017-002 Failure to Comply with the Town's Charter

The finding is cleared.

2017-003 Payment of Police Tickets Not Traceable to Deposits

The finding is cleared.

2017-004 Accounting System Setup Errors

The finding is repeated as 2018-002.

2017-005 Purchasing System Not Properly Designed or Implemented

The finding is repeated as 2018-003.

2017-006 Security Deficiencies

The finding is repeated as 2018-004.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Prior Year (Continued)

2017-007 Lack of Segregation of Duties

The finding is repeated as 2018-005.

2017-008 Lack of Written Policies and Procedures

The finding is repeated as 2018-006.

2017-009 Deficiencies in Payroll System

The finding is repeated as 2018-007.

2017-010 No Physical Inventory of Assets

The finding is repeated as 2018-008.

2017-011 Meter Deposits Not Reconciled

The finding is cleared.

2017-012 Receipts Not Timely Deposited

The finding is repeated as 2018-009.

2017-013 Possible Violations of Louisiana Constitution

The finding is repeated as 2018-010.

2017-014 Internal Control System Lacks Basic Components

The finding is repeated as 2018-011.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Prior Year (Continued)

2017-015 Quotes for Fuel

The finding is repeated as 2018-012.

ML2017-001 Basis of Accounting

The comment is repeated as ML2018-001.

ML2017-002 Interfund Balances Should be Cleared

The comment is repeated as ML2018-002.

ML2017-003 Need to Retain Documentation of Follow-up on Consumption Exceptions

The comment is cleared.

ML2017-004 Stale Outstanding Items on Bank Reconciliations

The comment is repeated as ML2018-003.



MANAGEMENT LETTER

The Honorable Adam Holland, Mayor
Ms. Mellissa Corley, Town Clerk
Town of Oak Grove
Oak Grove, Louisiana

In planning and performing our audit of the financial statements of the Town of Oak Grove, as of and for the year ended June 30, 2018, we considered the Town's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving internal control that are presented for your consideration. This letter does not affect our report dated December 26, 2018, on the financial statements of the Town. 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, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations. Our comments and management's responses are summarized as follows:

ML2018-001 Basis of Accounting

Year First Reported

2017

Criteria

Generally Accepted Accounting Principles (GAAP) require that the books of governmental funds be maintained on the modified accrual basis of accounting and books of proprietary funds be maintained on the accrual basis of accounting.

Condition

The Town's general ledgers for governmental funds are maintained on the cash basis of accounting.

Cause

Many local governments have historically maintained cash basis books due to a lack of trained personnel. However, with today's technology, it is much easier to record receivables and payables as they occur.

Effect

Interim financial statements do not accurately reflect the town's financial position. Therefore, management and the Council cannot adequately assess the Town's financial position. Receivables and payables must be recorded as audit adjustments each year in order to prepare annual financial statements.

Recommendation

We recommend that the Town maintain books in accordance with GAAP. The Town's interim financial statements will be more useful.

Management's Response

See management's corrective action plan.

ML2018-002 Interfund Balances Should be Cleared

Year First Reported

2017

Criteria

Balances owed from one fund to another should be paid as soon as possible.

Condition

The Town has interfund balances on the books that originated in prior fiscal years.

Cause

The internal control system is not adequately designed.

Effect

Funds are not available for use in the appropriate fund.

Recommendation

We recommend that funds be transferred to clear interfund balances.

Management's Response

See management's corrective action plan.

ML2017-003 Stale Outstanding Items on Bank Reconciliations

Year First Reported

2017

Criteria

Basic internal control procedures include investigation into stale or unusual reconciling items.

Condition

We noted several outstanding items that are more than six months old on bank reconciliations of multiple accounts. We noted no indication that anyone had researched the stale items.

Cause

Internal control policies and procedures do not include a procedure for reviewing the bank reconciliations.

Town of Oak Grove

Oak Grove, Louisiana
Management Letter – June 30, 2018
Page 3

Effect

Cash and other items could be misstated.

Recommendation

We recommend that the preparer of bank reconciliations document the nature of any outstanding items older than six months. We recommend that the Town Clerk review all bank reconciliations. The Town should follow state unclaimed property laws as well as its own policy for such checks.

Management’s Response

See management’s corrective action plan.

Our audit procedures are designed primarily to enable us to form opinions on the financial statements of the Town of Oak Grove, as of and for the year ended June 30, 2018, which collectively comprise the Town’s financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

Also included are management’s responses to our current year management letter comments. We have performed no audit work to verify the content of the responses.

This report is intended solely for the information and use of the Mayor and Town Clerk of the Town of Oak Grove and is not intended to be and should not be used by anyone other than these specified parties.

BOSCH & STATHAM, LLC

Bosch & Statham

Ruston, Louisiana
December 26, 2018

TOWN OF OAK GROVE

ADAM T. HOLLAND
MAYOR

CHERRY RYE
MAYOR PRO TEM

MELLISSA CORLEY
SECRETARY-TREASURER

JOHN M. LANCASTER
ATTORNEY

Bosch & Statham
Certified Public Accountants
P.O. Box 303
Jonesboro, La. 71251-0303

407 EAST MAIN STREET
OAK GROVE, LOUISIANA 71263
(318) 428-3275
FAX (318) 428-4556

TOWN
COUNCIL

Mike Gammill
Richie Allen
Todd Nevels
Garland Walker

Re: Town of Oak Grove audit findings and corrective action plan

In response to the findings in our 2018 audit, we wish to advise you that the Town of Oak Grove has taken the following steps to correct the findings:

2018-001 Failure to Comply with the Local Government Budget Act

In an oversight, the clerk failed to indicate on the published notice of public hearing that the budget was available for inspection. The town plans to request a proof of the notice from the newspaper prior to publication so that it can be inspected.

2018-002 Accounting System Setup Errors

We are working to ensure that accounting clerks have a better understanding of proper set up of accounts and payroll items. The Clerk is requesting USDA bank statements and also reviewing general ledgers for errors or unusual items.

2018-003 – Purchasing System Not Properly Designed or Implemented

This has been noted and we are working to improve the way purchase orders are done and also ensuring that goods are signed for when received.

2018-004 Security Deficiencies

We have evaluated the security of the building and applied for grant funds to assist in paying for upgrades to the security.

2018-005 Lack of Segregation of Duties

This has been noted and we are working to improve the segregation of duties. (1) the clerk is now reviewing evidence that other personnel are following internal control procedures. (2) the police clerk now collects all payments for city hall and can post payments and prepare deposits. The bookkeeper collects payments only when the police clerk is out of the office. The bookkeeper records all deposits and reviews receipt books and deposits. We will begin having the person processing payroll and a reviewer both initial payroll documents each week. (3) each employee that collects money now has a separate cash drawer that is counted down daily.

2018-006 Lack of Written Policies and Procedures

This has been noted and the Mayor and Clerk are continuing to write and revise policies and procedures.

2018-007 Deficiencies in Payroll System

This has been noted and there is now a means by which attendance is kept by either time card or timesheet. Times off requests, once approved, are kept with timesheets and time cards.

2018-008 No Physical Inventory of Assets

This has been noted and the Mayor and Clerk are working on policies and procedures pertaining to inventory and plan to begin routine inventory beginning in January 2019.

2018-009 Receipts Not Timely Deposited

This has been noted and deposits are now prepared daily

2018-010 Possible Violations of Louisiana Constitution

This has been noted and the Mayor, Clerk and Police Chief are working to revise policies dealing with police overtime.

2018-011 Internal Control System Lacks Basic Components

This has been noted and the Mayor and Clerk will begin meeting at least annually to evaluate the internal control system and make needed changes.

2018-012 Quotes for Fuel

We have contacted our Attorney who has received AG opinions stating that it is not necessary to obtain bids or quotes for fuel since we are not buying fuel in bulk.

2018-013 Late Publication of Minutes

This has been noted and the error was an oversight. The Clerk will be sure and publish minutes.

2018-014 Internal Control over Grant Administration

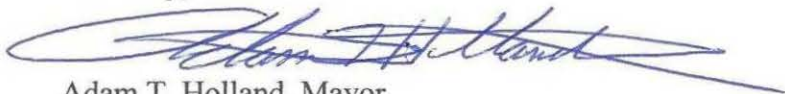
This has been noted and management is working to implement a better system to manage all grant documents and make sure all information is handled properly.

Corrective Action Plan

We will also consider the exceptions described in the report on statewide agreed-upon procedures and take action as necessary.

We sincerely hope that these changes are satisfactory in resolving the findings and also preventing future findings.

Sincerely,



Adam T. Holland, Mayor

TOWN OF OAK GROVE

ADAM T. HOLLAND
MAYOR

CHERRY RYE
MAYOR PRO TEM

MELLISSA CORLEY
SECRETARY-TREASURER

JOHN M. LANCASTER
ATTORNEY

December 26, 2018

407 EAST MAIN STREET
OAK GROVE, LOUISIANA 71263
(318) 428-3275
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TOWN
COUNCIL

Mike Gammill
Richie Allen
Todd Nevels
Garland Walker

Bosch & Statham, LLC
Post Office Box 2377
Ruston, Louisiana 71273-2377

In connection with your engagement to apply agreed-upon procedures to certain control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period July 1, 2017 through June 30, 2018, we confirm to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We are responsible for the C/C areas identified in the SAUPs, including written policies and procedures; board or finance committee; bank reconciliations; collections; non-payroll disbursements; credit/debit/fuel/purchasing cards; travel and travel-related expense reimbursement; contracts; payroll and personnel; ethics; debt service; and other areas.

Yes No

2. For the fiscal period July 1, 2017 through June 30, 2018, the C/C areas were administered in accordance with the best practice criteria presented in the SAUPs.

Yes No

3. We are responsible for selecting the criteria and procedures and for determining that such criteria and procedures are appropriate for our purposes.

Yes No

4. We have disclosed to you all known matters contradicting the results of the procedures performed in C/C areas.

Yes No

5. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the C/C areas, including communications received between June 30, 2018, and the date of this letter.

Yes No

6. We have provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.

Yes No

7. We represent that the listing of bank accounts for the fiscal period that we provided to you is complete. We also represent that we have identified and disclosed to you our main operating account.

Yes No

8. We represent that the listing of deposit sites for the fiscal period that we provided to you is complete.

Yes No

9. We represent that the listing of collection locations for the fiscal period that we provided to you is complete.

Yes No

10. We represent that the listing of locations that process payments for the fiscal period that we provided to you is complete.

Yes No

11. We represent that the non-payroll disbursement transaction population for each location that processes payments for the fiscal period that we provided to you is complete.

Yes No

12. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards, that we provided to you is complete.

Yes No

13. We represent that the listing of all travel and travel-related expense reimbursements during the fiscal period that we provided to you is complete.

Yes No

14. We represent that the listing of all agreements/contracts (or active vendors) for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period that we provided to you is complete.

Yes No

15. We represent that the listing of employees/elected officials employed during the fiscal period that we provided to you is complete.

Yes No

16. We represent that the listing of employees/officials that received termination payments during the fiscal period that we provided to you is complete.

Yes No

17. We represent that the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines during the fiscal period.

Yes No

18. We represent that the listing of bonds/notes issued during the fiscal period that we provided to you is complete.

Yes No

19. We represent that the listing of bonds/notes outstanding at the end of the fiscal period that we provided to you is complete.

Yes No

20. We represent that the listing of misappropriations of public funds and assets during the fiscal period that we provided to you is complete.

Yes No

21. We have responded fully to all inquiries made by you during the engagement.

Yes No

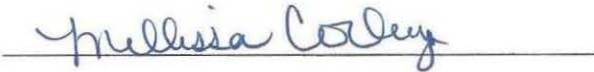
22. We are not aware of any events that have occurred subsequent to June 30, 2018, that would require adjustment to or modification of the results of the agreed-upon procedures.

Yes No

The previous responses have been made to the best of our belief and knowledge.

Signature 

Title Mayor

Signature 

Title Town Clerk



Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Town of Oak Grove
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Oak Grove (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

We obtained the policies and procedures.

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

The policy included all the referenced elements.

Exceptions: None

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

No such policy has been adopted.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan

- c) **Disbursements**, including processing, reviewing, and approving

No such policy has been adopted.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan

- d) **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The entity does not have an all-encompassing policy. The entity has a collection policy for the utilities that includes all but management's actions to determine completeness. The entity has a separate collection policy for traffic tickets that includes receiving and recording of deposits but not the preparing of deposits or management's actions to determine the completeness of all collections.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The policy does not include payroll processing, reviewing, or the approving of attendance records. The policy did include the approving of leave and overtime.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

No such policy has been adopted.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

No such policy has been adopted.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan

- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The policy included all the referenced elements except for the dollar thresholds by category of expense. However, the policy states that the State's policy will be followed.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The policy adopted on July 11, 2017 does not include the required elements.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan

- j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No such policy has been adopted.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

We obtained the council's minutes and the Town's charter.

- a) Observe that the board/finance committee met with a quorum a least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The council met at least monthly with a quorum.

Exceptions: None

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

We observed that the minutes reference or included monthly budget-to-actual comparisons for all funds, known as "financial statements".

Exceptions: None

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

We observed a positive unrestricted fund balance in the general fund in the prior audit report.

Exceptions: None.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Management identified the entity's main operating account. We selected the entity's main operating account and randomly selected four additional accounts. We randomly selected one month from the fiscal period and obtained and inspected the corresponding bank statement and reconciliation for selected each account.

Exceptions: None

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

The bank reconciliations included evidence that they were prepared within two months of the related statement closing date.

Exceptions: None

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged);

Four out of five bank reconciliations did not include evidence that an independent member of management/board member had reviewed each bank reconciliation.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Two out of five bank reconciliations included stale outstanding items older than twelve months. We noted no documentation reflecting that management researched the reconciling items.

Exceptions: See above

Management's Response: See management's corrective action plan.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

We obtained a listing of deposit sites for the fiscal period. Since there were only three deposit sites, all sites were selected for testing.

Exceptions: None

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

We obtained a listing of collection locations for each deposit site and management's representation that the listing is complete. Since there was only one collection location for each deposit site, those three locations were selected for testing. We noted no official written policies and procedures relating to employee job duties. We inquired of employees about their job duties.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

We noted each employee responsible for cash collections has their own cash drawer.

Exceptions: None.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

The Town has a governmental funds clerk, two utility systems clerks, and a police department clerk.

The governmental funds clerk's responsibilities include collecting ad valorem taxes and occupational licenses, maintaining records of ad valorem taxes and occupational licenses, and maintaining the general ledgers for the governmental funds.

The utility systems' clerks' responsibilities include preparing deposits, billing utility system users, collecting payments on account, maintaining accounts receivable records, and maintaining the general ledgers for the Water and Sewer Funds.

The police department clerk's responsibilities include preparing deposits, collecting fines, taxes, and licenses, and maintaining police ticket records. The clerks rotate taking the deposits to the bank.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

See 5b.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

We noted no reconciliation of collections to the general ledgers for the governmental funds. The utility clerks reconcile collections of utility payments to the general ledgers by reconciling the receivable account per the billing software to the general ledgers.

Exceptions: See above.

Management's Response: See management's corrective action plan.

6. Inquire of management that all employees who have access to cash covered by a board or insurance policy for theft.

We noted each employee responsible for collecting cash is bonded.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

We randomly selected two deposit dates for each of the five bank accounts selected for procedure #3. We obtained supporting documentation.

- a) Observe that receipts are sequentially pre-numbered.

Our sample included sixty-one individual receipts. Fifty-seven receipts were supported by sequentially pre-numbered receipts. The other four were for transfers between funds or sales taxes received from the school board.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

There were sixty-one payments in the selected deposits. Fifty-seven of the payments were supported by a prenumbered receipt and were traced from the receipt to the deposit slip. There was no receipt or other documentation for the other four payments.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

We traced all ten deposits to the bank statement without exception.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Many deposits included receipts that were collected on multiple days. Out of ten deposits, four deposits included receipts that were not deposited within one day of collection. We were unable to test whether the two deposits for the street fund were deposited within one day of collection because no receipts were issued.

- e) Trace the actual deposit per the bank statement to the general ledger.

We traced all ten deposits per the bank statement agree to the general ledger.

Exceptions: See above.

Management's Response: See management's corrective action plan.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select locations (or all locations if less than 5).

We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. We selected all three locations.

Exceptions: None

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

We noted four employees involved with nonpayroll purchasing and payment functions. We obtained written policies and procedures for one location. We noted no written policies and procedures related to the other two locations. We inquired about those duties.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

We noted there are at least two employees involved in initiating a purchase request, approving the purchase, and placing the order.

Exceptions: None

- b) At least two employees are involved in processing and approving payments to vendors.

The clerks prepare checks when bills are due. Checks are presented to the mayor for signature and returned to the clerks for mailing.

Exceptions: None

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

We noted the employees responsible for processing payments are able to add or modify vendor files in the accounting software.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

See 9b.

Exceptions: See above.

Management's Response: See management's corrective action plan.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

For each disbursement location, we randomly selected five disbursements.

Exceptions: None

- a) Observe that the disbursement matched the related original invoice/billing statement.

We noted no exceptions.

Exceptions: None

- b) Observe that the disbursement documentation included evidence (e.g., initial/date electronic logging) of segregation of duties tested under #9, as applicable.

We noted eleven disbursements had documentation that included evidence of segregation of duties. We noted the documentation for four disbursements did not include evidence of segregation of duties.

Exceptions: See above.

Management's Response: See management's corrective action plan.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period. We obtained management's representation that the listing is complete.

Exceptions: None

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

Using the listing prepared by management, we randomly selected five cards that were used during the fiscal period. We randomly selected one monthly statement for each card and obtained supporting documentation.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

We noted that three of the five statements are being reviewed and approved in writing by someone other than the authorized card holder. Two of the cards are in the possession of the town clerk who also reviews the statements.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

We noted no exceptions.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by:

There were less than ten transactions on each selected statement. Therefore, we selected all transactions from the card statements.

- (1) An original itemized receipt that identifies precisely what was purchased,

We noted no exceptions.

- (2) Written documentation of the business/public purpose, and

Documentation for two transactions did not include documentation of the business/public purpose.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- (3) Documentation of the individuals participating in meals (for meal charges only).

We noted no exceptions.

Travel and Travel-Related Expense Reimbursement (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

We obtained a listing from management of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing is complete. We randomly selected five reimbursements and obtained the related documentation for each reimbursement.

Exceptions: None

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

We noted all five reimbursements were reimbursed using per diem rates that agree to the GSA rates.

Exceptions: None

- b) If reimbursed using actual cost, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

We noted one reimbursement that included reimbursement for actual costs for a testing fee. The original itemized receipt for the testing fee was attached to documentation.

Exceptions: None

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

We noted each reimbursement was supported by documentation of the business/public purpose.

Exceptions: None

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We noted each reimbursement was reviewed and approved in writing by someone other than the person receiving the reimbursement.

Exceptions: None

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

We obtained a listing of all agreements/contracts from management. We randomly selected 5 contracts from the list.

Exceptions: None

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

We noted no contracts that were subject to the Louisiana Public Bid Law.

Exceptions: None

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

We noted three contracts were not approved by the governing board during the fiscal year.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

We noted no contracts that were amended during the year.

Exceptions: None

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

We randomly selected one payment from the fiscal period for each of the five contracts and obtained the supporting invoices. We noted all invoices agreed to the contract terms and all invoices and related payments agreed to the terms and conditions of the contract.

Exceptions: None

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

We obtained a listing of employees/elected officials during the fiscal period and randomly selected 5 for further testing. The listing omitted elected officials. We obtained documentation of paid salaries and personnel files. The paid salaries or wages agreed to authorized pay rates for all 5 employees tested.

Exceptions: See above.

Management's Response: See management's corrective action plan.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

We randomly selected one pay period and obtained the attendance and leave records.

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

We observed that two of the five employees tested documented their daily attendance and leave. Town policy does not require salaried or office employees to document their attendance.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Supervisor approval was not documented on the two employees' attendance records.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

We noted no exceptions.

Exceptions: None

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

The Town represented that no employees/officials received termination payments during the fiscal period.

Exceptions: None

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

We obtained representation that the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines. However, we noted two retirement forms were submitted after the required deadlines.

Exceptions: See above.

Management's Response: See management's corrective action plan.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

We obtained the ethics documentation.

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

We inspected the documentation noting that there was no documentation for two of the five employees.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

There was no documentation that the employees/officials attested through signature that they had read the entity's ethics policy during the fiscal period.

Exceptions: See above.

Management's Response: See management's corrective action plan.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

We obtained a listing of bonds issued during the fiscal year. We inspected the supporting documentation and noted the approval of the State Bond Commission.

Exceptions: None.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

There were no identifiable debt covenant requirements for the outstanding debt.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

The Town listed no misappropriations.

**Independent Accountant's Report
on Applying Agreed-Upon Procedures
June 30, 2018**

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We observed the required notice posted on the bulletin board in the lobby of town hall. However, we could not locate the notice on the Town's website.

Exceptions: See above.

Management's Response: See management's corrective action plan.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

BOSCH & STATHAM, LLC

Bosch & Statham

Ruston, Louisiana
December 26, 2018