

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

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**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR  
ENDED JUNE 30, 2017**

**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, 2017, 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, 2017, 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, 2017

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, 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 19, 2017

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

### **Management's Discussion and Analysis As of and for the Year Ended June 30, 2017**

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, 2017. 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, 2017

#### THE TOWN AS A WHOLE

At June 30, 2017, net position was as follows:

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Current and other assets	\$ 2,881,236	\$ 2,658,080	\$ 636,236	\$ 696,815
Capital assets, net	1,902,935	1,989,730	2,743,381	2,887,203
Total assets	<u>4,784,171</u>	<u>4,647,810</u>	<u>3,379,617</u>	<u>3,584,018</u>
Deferred outflows	<u>369,939</u>	284,851	<u>40,900</u>	<u>36,476</u>
Liabilities:				
Current	37,069	31,202	107,090	94,631
Long-term	937,170	1,589,777	116,211	131,706
Total liabilities	<u>974,239</u>	<u>1,620,979</u>	<u>223,301</u>	<u>226,337</u>
Deferred inflows	<u>186,111</u>	151,545	<u>8,094</u>	<u>4,980</u>
Net position:				
Net investment in capital assets	1,769,935	1,728,730	2,743,381	2,887,203
Restricted	752,049	218,307	84,670	114,039
Unrestricted	1,471,776	1,213,100	361,071	387,935
<b>Total net position</b>	<u><u>\$ 3,993,760</u></u>	<u><u>\$ 3,160,137</u></u>	<u><u>\$ 3,189,122</u></u>	<u><u>\$ 3,389,177</u></u>

## TOWN OF OAK GROVE, LOUISIANA

### Management's Discussion and Analysis As of and for the Year Ended June 30, 2017

Net position of the Town's governmental activities increased six percent during the year ended June 30, 2017. 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, increased 21 percent.

Net position of the business-type activities decreased from \$3,416,449 to \$3,189,122 or seven percent.

For the year ended June 30, 2017, net position changed as follows:

#### CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Program revenues:				
Charges for services	\$ 256,696	\$ 199,601	\$ 587,117	\$ 574,652
Operating grants and contributions	31,897	24,112	-	-
Capital grants and contributions	51,714	97,529	-	3,500
General revenues:				
Property taxes	204,605	201,147	-	-
Sales and use taxes	805,471	755,101	-	-
Other taxes, licenses and permits	49,891	61,470	-	-
Other	195,478	55,355	13,658	24,118
Total revenues	<u>1,595,752</u>	<u>1,394,315</u>	<u>600,775</u>	<u>602,270</u>
Expenses:				
General government	511,282	452,470	-	-
Public safety	456,805	375,981	-	-
Highways and streets	292,623	274,853	-	-
Health and welfare	17,260	10,916	-	-
Culture and recreation	13,114	16,597	-	-
Economic development	32,875	53,358	-	-
Cemetaries	43,344	41,020	-	-
Interest expense	8,079	13,033	-	-
Water	-	-	483,065	422,426
Sewer	-	-	345,037	308,675
Total expenses	<u>1,375,382</u>	<u>1,238,228</u>	<u>828,102</u>	<u>731,101</u>
<b>Change in net position</b>	<b>220,370</b>	<b>156,087</b>	<b>(227,327)</b>	<b>(128,831)</b>
Net position at beginning of year (restated)	<u>3,773,390</u>	<u>3,004,050</u>	<u>3,416,449</u>	<u>3,518,008</u>
<b>Net position at end of year</b>	<u><b>\$ 3,993,760</b></u>	<u><b>\$ 3,160,137</b></u>	<u><b>\$ 3,189,122</b></u>	<u><b>\$ 3,389,177</b></u>

## TOWN OF OAK GROVE, LOUISIANA

### Management's Discussion and Analysis As of and for the Year Ended June 30, 2017

As of June 30, 2017, none of the Town's funds have a deficit balance. The General Fund has a fund balance of \$257,801 which is a nine percent increase from prior year. Fund balance is equal to approximately five months of expenditures. During the year, the Town transferred \$100,000 from the Sales Tax Fund to the General Fund.

The Sales Tax Fund balance increased \$104,600 or seven percent and represents approximately four years of expenditures based on 2017 expenditures. Total revenues and expenditures increased only slightly.

Fund balances of the Street Fund and Cemetery Fund decreased \$33,284 (39%) and \$3,688 (1%), respectively. Street Fund revenues and expenditures changed slightly. Cemetery Fund revenues and expenditures increased only slightly. Fund balance of the Economic Development Fund increased \$141,382, or 66% due to settlement of a lawsuit.

#### BUDGETARY HIGHLIGHTS

During the year, in the General Fund, there was a \$65,000 increase in anticipated revenues. The increase was due to increases in anticipated grants and fines, offset by a decrease in licenses and other revenues. Anticipated expenditures increased \$71,442 due to changes in salaries and benefits and capital outlay in the police department.

During the year in the Sales Tax Fund, there was a \$14,000 decrease in anticipated revenues and a \$7,000 increase in budgeted expenditures.

Street Fund budgeted revenues and expenditures increased \$1,000 and \$14,000, respectively.

The Economic Development Fund budgeted revenues decreased \$1,000 while expenditures increased from \$17,000 to \$20,000.

Budgeted revenues and expenditures of the Cemetery Fund were increased \$6,000 and \$7,000, respectively.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### *Capital Assets*

As of June 30, 2017, the Town's investment in capital assets for its governmental and business-type activities amounts to \$4,646,316 (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 \$58,822 included police radios, a trailer, and two police cars. The Town disposed of a police vehicle with an original cost of \$24,658.

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

### **Management's Discussion and Analysis As of and for the Year Ended June 30, 2017**

#### *Debt*

At year end, the Town had a total of \$133,000 in general obligation bonds, Series 2009, outstanding. The bonds bear interest at 3.69% and are due to mature in 2017.

In addition, the Town had a total liability of \$37,436 for compensated absences payable and \$884,932 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 sales and use tax, property tax assessments, and fees for services. The Town intends to use monies from the Local Government Assistance Program and Community Water Enrichment Fund grants to make necessary repairs and upgrades to the town's water plant. The Town is issuing revenue bonds to upgrade the sewer system.

#### **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, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,409,843	\$ 467,194	\$ 2,877,037
Cash and cash equivalents - restricted	128,343	84,670	213,013
Receivables, net of allowance for uncollectibles	343,050	75,222	418,272
Inventories	-	9,150	9,150
Capital assets not being depreciated	68,270	10,756	79,026
Capital assets, net of accumulated depreciation	1,834,665	2,732,625	4,567,290
<b>TOTAL ASSETS</b>	<b>4,784,171</b>	<b>3,379,617</b>	<b>8,163,788</b>
<b>DEFERRED OUTFLOWS</b>			
Pension related	369,939	40,900	410,839
<b>LIABILITIES</b>			
Accounts payable	17,649	25,252	42,901
Payroll and related liabilities	19,320	490	19,810
Accrued liabilities	-	10,017	10,017
Customer deposits payable	-	69,345	69,345
Due to others	100	-	100
Noncurrent liabilities:			
Due within one year	140,181	1,986	142,167
Due in more than one year	23,683	4,585	28,268
Net pension liability	773,306	111,626	884,932
<b>TOTAL LIABILITIES</b>	<b>974,239</b>	<b>223,301</b>	<b>1,197,540</b>
<b>DEFERRED INFLOWS</b>			
Pension related	186,111	8,094	194,205
<b>NET POSITION</b>			
Net investment in capital assets	1,769,935	2,743,381	4,513,316
Restricted net position	752,049	84,670	836,719
Unrestricted net position	1,471,776	361,071	1,832,847
<b>TOTAL NET POSITION</b>	<b>\$ 3,993,760</b>	<b>\$ 3,189,122</b>	<b>\$ 7,182,882</b>

*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, 2017**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Governmental activities:						
General government	\$ 511,282	\$ 166,400	\$ -	\$ -	\$ (344,882)	\$ (344,882)
Public safety	456,805	70,526	31,897	17,300	(337,082)	(337,082)
Highways and streets	292,623	9,195	-	34,414	(249,014)	(249,014)
Cemeteries	43,344	10,575	-	-	(32,769)	(32,769)
Health and welfare	17,260	-	-	-	(17,260)	(17,260)
Culture and recreation	13,114	-	-	-	(13,114)	(13,114)
Economic development	32,875	-	-	-	(32,875)	(32,875)
Interest expense	8,079	-	-	-	(8,079)	(8,079)
Total governmental activities	<u>1,375,382</u>	<u>256,696</u>	<u>31,897</u>	<u>51,714</u>	<u>(1,035,075)</u>	<u>(1,035,075)</u>
Business-type activities:						
Water operations	483,065	335,524	-	-		\$ (147,541)
Sewer operations	345,037	251,593	-	-		(93,444)
Total business-type activities	<u>828,102</u>	<u>587,117</u>	<u>-</u>	<u>-</u>		<u>(240,985)</u>
Total primary government	<u>\$ 2,203,484</u>	<u>\$ 843,813</u>	<u>\$ 31,897</u>	<u>\$ 51,714</u>	<u>(1,035,075)</u>	<u>(240,985)</u>
General revenues:						
Property taxes					204,605	-
Sales and use taxes					805,471	-
Franchise taxes					49,891	-
Unrestricted investment earnings					11,218	1,734
Gain (loss) on sale of capital assets					3,210	-
Other					181,050	11,924
Total general revenues and transfers					<u>1,255,445</u>	<u>13,658</u>
<b>Change in net position</b>					<u>220,370</u>	<u>(227,327)</u>
Net position at beginning of year (restated)					<u>3,773,390</u>	<u>3,416,449</u>
<b>Net position at end of year</b>					<u>\$ 3,993,760</u>	<u>\$ 3,189,122</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, 2017**

	<b>General</b>	<b>Sales Tax</b>	<b>Street</b>	<b>Economic Development</b>	<b>Debt Service</b>	<b>Cemetery</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 275,392	\$ 1,510,745	\$ 85,156	\$ 211,861	\$ -	\$ 326,689	\$ 2,409,843
Cash and cash equivalents - restricted	13,800	-	-	-	114,543	-	128,343
Receivables, net	7,971	181,081	-	153,998	-	-	343,050
Due from other funds	-	49,382	1,618	-	-	643	51,643
<b>TOTAL ASSETS</b>	<u>\$ 297,163</u>	<u>\$ 1,741,208</u>	<u>\$ 86,774</u>	<u>\$ 365,859</u>	<u>\$ 114,543</u>	<u>\$ 327,332</u>	<u>\$ 2,932,879</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 1,699	\$ 3,054	\$ 1,604	\$ 10,849	\$ -	\$ 444	\$ 17,650
Payroll and related liabilities	18,317	905	-	-	-	98	19,320
Due to other funds	19,246	-	32,397	-	-	-	51,643
Due to others	100	-	-	-	-	-	100
Total liabilities	<u>39,362</u>	<u>3,959</u>	<u>34,001</u>	<u>10,849</u>	<u>-</u>	<u>542</u>	<u>88,713</u>
Deferred inflows:							
Unavailable revenues	<u>-</u>	<u>60,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,215</u>
Fund balances:							
Restricted fund balances	-	1,677,034	52,773	-	114,543	326,790	2,171,140
Committed fund balances	-	-	-	355,010	-	-	355,010
Unassigned	257,801	-	-	-	-	-	257,801
Total fund balances	<u>257,801</u>	<u>1,677,034</u>	<u>52,773</u>	<u>355,010</u>	<u>114,543</u>	<u>326,790</u>	<u>2,783,951</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<u>\$ 297,163</u>	<u>\$ 1,741,208</u>	<u>\$ 86,774</u>	<u>\$ 365,859</u>	<u>\$ 114,543</u>	<u>\$ 327,332</u>	<u>\$ 2,932,879</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, 2017**

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

<b>Total fund balances</b>	<b>\$ 2,783,951</b>
Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	<b>1,902,935</b>
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<b>60,215</b>
Deferred outflows - pension related	<b>369,939</b>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	<b>(133,000)</b>
Compensated absences payable	<b>(30,864)</b>
Net pension liability	<b>(773,306)</b>
Deferred inflows - pension related	<b><u>(186,110)</u></b>
<b>Net position of governmental activities</b>	<b><u><u>\$ 3,993,760</u></u></b>

*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, 2017**

	<b>General</b>	<b>Sales Tax</b>	<b>Street</b>	<b>Economic Development</b>	<b>Debt Service</b>	<b>Cemetery</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>							
Taxes:							
Ad valorem	\$ 106,349	\$ -	\$ 70,277	\$ -	\$ -	\$ 27,979	\$ 204,605
Sales and use	-	808,884	-	-	-	-	808,884
Franchise	49,891	-	-	-	-	-	49,891
Intergovernmental:							
Federal funds	31,318	-	3,096	-	-	-	34,414
State funds:							
Supplemental pay	31,897	-	-	-	-	-	31,897
Other state funds	17,300	-	-	-	-	-	17,300
Licenses and permits	162,360	-	-	-	-	-	162,360
Charges for services	9,195	-	-	-	-	10,575	19,770
Fines	70,526	-	-	-	-	-	70,526
Lease income	4,040	-	-	-	-	-	4,040
Interest earned	2,485	5,767	655	945	-	1,366	11,218
Other revenues	3,212	-	-	153,000	-	-	156,212
<b>Total revenues</b>	<b>488,573</b>	<b>814,651</b>	<b>74,028</b>	<b>153,945</b>	<b>-</b>	<b>39,920</b>	<b>1,571,117</b>
<b>Expenditures:</b>							
Current:							
General government	165,599	287,324	655	-	-	264	453,842
Public safety	408,618	24,855	-	-	-	-	433,473
Highways and streets	-	93,152	94,563	-	-	-	187,715
Cemeteries	-	-	-	-	-	43,344	43,344
Health and welfare	1,872	15,388	-	-	-	-	17,260
Culture and recreation	987	3,497	-	-	-	-	4,484
Economic development	-	-	-	26,151	-	-	26,151
Debt service - principal	-	-	-	-	128,000	-	128,000
Debt service - interest	-	-	-	-	8,079	-	8,079
Capital outlay	57,341	-	1,481	-	-	-	58,822
<b>Total expenditures</b>	<b>634,417</b>	<b>424,216</b>	<b>96,699</b>	<b>26,151</b>	<b>136,079</b>	<b>43,608</b>	<b>1,361,170</b>
Excess (deficiency) of revenues over expenditures	(145,844)	390,435	(22,671)	127,794	(136,079)	(3,688)	209,947
Other financing sources (uses):							
Transfers in	113,800	-	-	13,589	172,246	-	299,635
Transfers out	-	(285,835)	(13,800)	-	-	-	(299,635)
Sale of capital assets	3,500	-	-	-	-	-	3,500
Proceeds from insurance	4,066	-	3,188	-	-	-	7,254
<b>Total other financing sources and uses</b>	<b>121,366</b>	<b>(285,835)</b>	<b>(10,612)</b>	<b>13,589</b>	<b>172,246</b>	<b>-</b>	<b>10,754</b>
<b>Net change in fund balances</b>	<b>(24,478)</b>	<b>104,600</b>	<b>(33,283)</b>	<b>141,383</b>	<b>36,167</b>	<b>(3,688)</b>	<b>220,701</b>
Fund balances at beginning of year	282,279	1,572,434	86,056	213,627	78,376	330,478	2,563,250
<b>Fund balances at end of year</b>	<b>\$ 257,801</b>	<b>\$ 1,677,034</b>	<b>\$ 52,773</b>	<b>\$ 355,010</b>	<b>\$ 114,543</b>	<b>\$ 326,790</b>	<b>\$ 2,783,951</b>

*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, 2017

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

Net change in fund balances - total governmental funds \$ 220,701

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	58,822
Depreciation expense	(145,327)
Loss on sale of capital assets	(290)

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	60,215
Amount deferred in prior year governmental balance sheet	(63,628)

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	128,000
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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	(6,055)
Change in net pension liability and deferred inflows and outflows	(32,068)

<b>Change in net position of governmental activities</b>	<b><u>\$ 220,370</u></b>
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*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, 2017**

<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>Total Proprietary Funds</b>
<b>Current assets:</b>			
Cash and cash equivalents - unrestricted	\$ 335,775	\$ 131,419	\$ 467,194
Cash and cash equivalents - restricted	84,670	-	84,670
Receivables, net	47,784	27,438	75,222
Inventories	9,150	-	9,150
Due from other funds	5,934	-	5,934
<b>Total current assets</b>	<u>483,313</u>	<u>158,857</u>	<u>642,170</u>
<b>Noncurrent assets:</b>			
Capital assets, net	1,432,777	1,310,604	2,743,381
<b>TOTAL ASSETS</b>	<u>1,916,090</u>	<u>1,469,461</u>	<u>3,385,551</u>
 <b>DEFERRED OUTFLOWS</b>			
Deferred outflows - pension related	<u>20,450</u>	<u>20,450</u>	<u>40,900</u>
 <b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	22,553	2,699	25,252
Due to other funds	-	5,934	5,934
Payroll and related liabilities	245	245	490
Accrued liabilities	10,017	-	10,017
Compensated absences payable - current	1,986	-	1,986
Customer deposits payable	69,345	-	69,345
Net pension liability	55,813	55,813	111,626
<b>Total current liabilities</b>	<u>159,959</u>	<u>64,691</u>	<u>224,650</u>
<b>Noncurrent liabilities:</b>			
Compensated absences payable	4,585	-	4,585
<b>TOTAL LIABILITIES</b>	<u>164,544</u>	<u>64,691</u>	<u>229,235</u>
 <b>DEFERRED INFLOWS</b>			
Deferred inflows - pension related	<u>4,047</u>	<u>4,047</u>	<u>8,094</u>
 <b>NET POSITION</b>			
Net investment in capital assets	1,432,777	1,310,604	2,743,381
Restricted net position	84,670	-	84,670
Unrestricted net position	250,502	110,569	361,071
<b>TOTAL NET POSITION</b>	<u>\$ 1,767,949</u>	<u>\$ 1,421,173</u>	<u>\$ 3,189,122</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, 2017**

	Water	Sewer	Total Proprietary Funds
Operating revenues:			
Charges for sales and services:			
Water and sewer fees	\$ 335,524	\$ 251,593	\$ 587,117
Other revenues	10,266	1,658	11,924
Total operating revenues	<u>345,790</u>	<u>253,251</u>	<u>599,041</u>
Operating expenses:			
Administration	394,081	290,199	684,280
Depreciation expense	88,984	54,838	143,822
Total operating expenses	<u>483,065</u>	<u>345,037</u>	<u>828,102</u>
Operating income (loss)	<u>(137,275)</u>	<u>(91,786)</u>	<u>(229,061)</u>
Nonoperating revenues (expenses):			
Interest earned	<u>1,518</u>	<u>216</u>	<u>1,734</u>
Income (loss) before transfers	<u>(135,757)</u>	<u>(91,570)</u>	<u>(227,327)</u>
Transfers in	-	38,000	38,000
Transfers out	<u>(38,000)</u>	<u>-</u>	<u>(38,000)</u>
Total transfers	<u>(38,000)</u>	<u>38,000</u>	<u>-</u>
Change in net position	(173,757)	(53,570)	(227,327)
Net position at beginning of year (restated)	1,941,706	1,474,743	3,416,449
Net position at end of year	<u>\$ 1,767,949</u>	<u>\$ 1,421,173</u>	<u>\$ 3,189,122</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, 2017**

	Water	Sewer	Total Proprietary Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 343,614	\$ 244,906	\$ 588,520
Payments to suppliers	(303,958)	(230,287)	(534,245)
Payments to employees	(60,701)	(64,037)	(124,738)
<b>Net cash provided by operating activities</b>	<u>(21,045)</u>	<u>(49,418)</u>	<u>(70,463)</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	-	38,000	38,000
Transfer to other funds	(38,000)	-	(38,000)
<b>Net cash provided by noncapital and related financing activities</b>	<u>(38,000)</u>	<u>38,000</u>	<u>-</u>
Cash flows from investing activities:			
Interest received	1,518	214	1,732
<b>Net cash provided by investing activities</b>	<u>1,518</u>	<u>214</u>	<u>1,732</u>
Net increase (decrease) in cash and cash equivalents	(57,527)	(11,204)	(68,731)
Cash and cash equivalents, beginning of year (including amounts in restricted accounts)	<u>477,972</u>	<u>142,623</u>	<u>620,595</u>
<b>Cash and cash equivalents, end of year (including amounts in restricted accounts)</b>	<u>\$ 420,445</u>	<u>\$ 131,419</u>	<u>\$ 551,864</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	<u>\$ (137,275)</u>	<u>\$ (91,786)</u>	<u>\$ (229,061)</u>
Adjustments to reconcile operating loss to cash provided by operating activities:			
Depreciation expense	88,984	54,838	143,822
(Increase) decrease in accounts receivable	193	(8,345)	(8,152)
(Increase) decrease in deferred outflows	(2,212)	(2,212)	(4,424)
Increase (decrease) in accounts payable	15,112	(6,745)	8,367
Increase (decrease) in payroll related liabilities	(510)	(510)	(1,020)
Increase (decrease) in compensated absences payable	1,670	(1,666)	4
Increase (decrease) in customer deposits	(2,369)	-	(2,369)
Increase (decrease) in accrued liabilities	8,356	-	8,356
Increase (decrease) in deferred inflows	1,557	1,557	3,114
Increase (decrease) in net pension liability	5,449	5,451	10,900
Total adjustments	<u>116,230</u>	<u>42,368</u>	<u>158,598</u>
<b>Net cash provided by operating activities</b>	<u>\$ (21,045)</u>	<u>\$ (49,418)</u>	<u>\$ (70,463)</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, 2017

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**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 by the Town and the cash flows of the proprietary funds as of and for the year ended June 30, 2017.

**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, 2017

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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, 2017

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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 1997 for the purpose of maintaining streets and drainage, purchasing police equipment, and other legal purposes consistent with the Town’s purpose.

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

The Economic Development 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, 2017.

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, 2017

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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, 2017, taxes of 18.56 mills were levied on property with assessed valuations totaling \$10,929,460, 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, 2017

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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%	\$ 16,537
Regions Bank	746,294	7%	13,851
Wal-Mart Louisiana, LLC	609,316	6%	11,309
West Carroll Hospital	545,066	5%	10,116
Guaranty Bank and Trust CO.	326,076	3%	6,052
West Carroll Community Bank	271,615	2%	5,041
Richland State Bank	241,371	2%	4,480
Carroll Nursing Home	168,532	2%	3,128
Jade Tobacco, LLC	157,050	1%	2,915
Bean2beene Investments, LLC	147,500	1%	2,738
Totals	<u>\$ 4,103,820</u>	<u>37%</u>	<u>\$ 76,167</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.



TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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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; fixed 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, 2017

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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. Unused annual leave is paid to an employee upon retirement, separation, or death at hourly rates being earned by that employee upon separation.

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, as well as issuance costs, 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, 2017

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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, 2017

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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, 2017

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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, 2017, the Town has cash and cash equivalents (book balances) totaling \$3,090,050 as follows:

<b>Cash and cash equivalents:</b>	
Demand deposits	\$ 574,038
Time deposits	2,302,036
Other	963
Total	<u>2,877,037</u>
<b>Cash and cash equivalents – restricted:</b>	
Demand deposits	149,336
Time deposits	63,677
Total	<u>213,013</u>
<b>Total</b>	<u><u>\$ 3,090,050</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, 2017, \$1,236,992 of the Town's bank balances of \$3,139,870 was exposed to custodial credit risk as follows:

<b>Bank balances</b>	<u><u>\$ 3,139,870</u></u>
Insured by FDIC	<u>\$ 1,902,878</u>
Uninsured and uncollateralized	-
Collateralized by pledged securities not in the Town's name	<u>1,236,992</u>
Total balances exposed to custodial credit risk	<u>1,236,992</u>
<b>Total bank balances</b>	<u><u>\$ 3,139,870</u></u>

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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NOTE 3 – RECEIVABLES

The following is a summary of receivables at June 30, 2017:

	<u>General</u>	<u>Sales Tax</u>	<u>Economic Development</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Receivables:</b>						
Taxes	\$ -	\$ 180,902	\$ -	\$ -	\$ -	\$ 180,902
Fines and Forfeits	594		-	-	-	594
Licenses and permits	598	-	-	-	-	598
Interest earned	-	179	-	-	-	179
Accounts and other	6,779	-	153,998	52,957	27,438	241,172
<b>Gross receivables</b>	<u>7,971</u>	<u>181,081</u>	<u>153,998</u>	<u>52,957</u>	<u>27,438</u>	<u>423,445</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,173)</u>	<u>-</u>	<u>(5,173)</u>
<b>Net total receivables</b>	<u>\$ 7,971</u>	<u>\$ 181,081</u>	<u>\$ 153,998</u>	<u>\$ 47,784</u>	<u>\$ 27,438</u>	<u>\$ 418,272</u>

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2017, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 67,000	\$ -	\$ -	\$ 67,000
Recreational vehicle hookups at park	1,270	-	-	1,270
Total capital assets not being depreciated	<u>68,270</u>	<u>-</u>	<u>-</u>	<u>68,270</u>
<b>Capital assets being depreciated:</b>				
Infrastructure	2,870,655	-	-	2,870,655
Buildings	399,237	-	-	399,237
Building improvements	201,993	-	-	201,993
Furniture and equipment	515,893	6,897	-	522,790
Other improvements	8,750	-	-	8,750
Vehicles	244,503	51,925	(24,655)	271,773
Total capital assets being depreciated	<u>4,241,031</u>	<u>58,822</u>	<u>(24,655)</u>	<u>4,275,198</u>
<b>Less accumulated depreciation for:</b>				
Infrastructure	1,182,296	78,718	-	1,261,014
Buildings	396,578	2,659	-	399,237
Building improvements	178,155	8,531	-	186,686
Furniture and equipment	352,195	35,584	-	387,779
Other Improvements	-	876	-	876
Vehicles	209,909	18,959	(24,365)	204,503
Total accumulated depreciation	<u>2,319,571</u>	<u>145,327</u>	<u>(24,365)</u>	<u>2,440,533</u>
Total capital assets being depreciated	<u>1,921,460</u>	<u>(86,505)</u>	<u>(290)</u>	<u>1,834,665</u>
Governmental activities, capital assets, net	<u>\$ 1,989,730</u>	<u>\$ (86,505)</u>	<u>\$ (290)</u>	<u>\$ 1,902,935</u>



TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities - Water:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 10,756	\$ -	\$ -	\$ 10,756
Total capital assets not being depreciated	<u>10,756</u>	<u>-</u>	<u>-</u>	<u>10,756</u>
<b>Capital assets being depreciated:</b>				
Infrastructure	3,959,114	-	-	3,959,114
Building improvements	27,954	-	-	27,954
Furniture and equipment	111,155	-	-	111,155
Vehicles	92,929	-	-	92,929
Total capital assets being depreciated	<u>4,191,152</u>	<u>-</u>	<u>-</u>	<u>4,191,152</u>
<b>Less accumulated depreciation for:</b>				
Infrastructure	2,475,705	81,599	-	2,557,304
Building improvements	18,689	2,021	-	20,710
Furniture and equipment	111,155	-	-	111,155
Vehicles	74,596	5,366	-	79,962
Total accumulated depreciation	<u>2,680,145</u>	<u>88,986</u>	<u>-</u>	<u>2,769,131</u>
Total capital assets being depreciated	<u>1,511,007</u>	<u>(88,986)</u>	<u>-</u>	<u>1,422,021</u>
Business-type activities - Water, capital assets, net	<u>\$ 1,521,763</u>	<u>\$ (88,986)</u>	<u>\$ -</u>	<u>\$ 1,432,777</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities - Sewer:</b>				
<b>Capital assets being depreciated:</b>				
Infrastructure	\$ 2,154,861	\$ -	\$ -	\$ 2,154,861
Buildings	1,815	-	-	1,815
Building improvements	3,472	-	-	3,472
Furniture and equipment	27,874	-	-	27,874
Total capital assets being depreciated	<u>2,188,022</u>	<u>-</u>	<u>-</u>	<u>2,188,022</u>
<b>Less accumulated depreciation for:</b>				
Infrastructure	791,403	54,342	-	845,745
Buildings	1,815	-	-	1,815
Building improvements	1,488	496	-	1,984
Furniture and equipment	27,876	-	-	27,876
Total accumulated depreciation	<u>822,582</u>	<u>54,838</u>	<u>-</u>	<u>877,420</u>
Total capital assets being depreciated	<u>1,365,440</u>	<u>(54,838)</u>	<u>-</u>	<u>1,310,602</u>
Business-type activities - Sewer, capital assets, net	<u>\$ 1,365,440</u>	<u>\$ (54,838)</u>	<u>\$ -</u>	<u>\$ 1,310,602</u>

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities - total:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 10,756	\$ -	\$ -	\$ 10,756
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>10,756</u>	<u>-</u>	<u>-</u>	<u>10,756</u>
<b>Capital assets being depreciated:</b>				
Infrastructure	6,113,975	-	-	6,113,975
Buildings	1,815	-	-	1,815
Building improvements	31,426	-	-	31,426
Furniture and equipment	139,029	-	-	139,029
Vehicles	92,929	-	-	92,929
Total capital assets being depreciated	<u>6,379,174</u>	<u>-</u>	<u>-</u>	<u>6,379,174</u>
<b>Less accumulated depreciation for:</b>				
Infrastructure	3,267,108	135,941	-	3,403,049
Buildings	1,815	-	-	1,815
Building improvements	20,177	2,517	-	22,694
Furniture and equipment	139,031	-	-	139,031
Vehicles	74,596	5,366	-	79,962
Total accumulated depreciation	<u>3,502,727</u>	<u>143,824</u>	<u>-</u>	<u>3,646,551</u>
Total capital assets being depreciated	<u>2,876,447</u>	<u>(143,824)</u>	<u>-</u>	<u>2,732,623</u>
Business-type activities - total, capital assets, net	<u>\$ 2,887,203</u>	<u>\$ (143,824)</u>	<u>\$ -</u>	<u>\$ 2,743,379</u>

Depreciation expense was charged as follows:

**Governmental activities:**

General government	\$ 1,734
Public safety	23,332
Highways and streets	104,908
Culture and recreation	8,630
Economic development	6,723
Total	<u>\$ 145,327</u>

**Business-type activities:**

Water	\$ 88,986
Sewer	54,838
Total	<u>\$ 143,824</u>

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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NOTE 5 – INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2017, were as follows:

		Transfers out		
		Sales		
		Tax	Street	Total
Transfers in	General	\$ 272,246	\$ 13,800	\$ 286,046
	Economic Development	13,589	-	13,589
	Total	<u>\$ 285,835</u>	<u>\$ 13,800</u>	<u>\$ 299,635</u>

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, 2017, are comprised of the following issue:

**General Obligation Bonds:**

\$926,000 State of Louisiana Sales Tax Refunding Bonds Series 2009, dated December 1, 2009, payable in incrementally increasing annual installments commencing December 1, 2010, through December 1, 2017; interest payable each year on June 1 and December 1 at a rate of 3.69%. The Debt Service Fund services this debt.

**\$ 133,000**

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 261,000	\$ -	\$ (128,000)	\$ 133,000	\$ 133,000
Compensated absences	24,809	17,182	(11,127)	30,864	7,181
Net pension liability - MERS	186,436	66,495	(26,294)	226,637	-
Net pension liability - MPERS	540,088	145,026	(138,445)	546,669	-
<b>Governmental activity long-term liabilities</b>	<u>\$1,012,333</u>	<u>\$228,703</u>	<u>\$ (303,866)</u>	<u>\$ 937,170</u>	<u>\$ 140,181</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 4,902	\$ 5,213	\$ (3,544)	\$ 6,571	\$ 1,986
Net pension liability - MERS	91,826	32,752	(12,952)	111,626	-
<b>Business-type activity long-term liabilities</b>	<u>\$ 96,728</u>	<u>\$ 37,965</u>	<u>\$ (16,496)</u>	<u>\$ 118,197</u>	<u>\$ 1,986</u>

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>General Obligation Principal</u>	<u>General Obligation Interest</u>	<u>1998 Revenue Bonds Principal</u>	<u>1998 Revenue Bonds Interest</u>
2018	\$ 133,000	\$ 2,454		
Totals	<u>\$ 133,000</u>	<u>\$ 2,454</u>	<u>\$ -</u>	<u>\$ -</u>

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

Interest expense for governmental activities for the year ended June 30, 2017, totaled \$6,873.

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

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**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, 2017, the Town of Oak Grove's total payroll for all employees was \$383,272. Total covered payroll was \$330,476. 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](http://www.mersla.com).

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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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, 2017, the actual employer contribution rate was 11.00% 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, 2017 were \$36,352.

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

At June 30, 2017, the Town reported a liability of \$338,263 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016, the Town's proportion was 0.408082%, which was a decrease of 0.001341% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town of Oak Grove recognized a system pension expense of \$60,874 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, and current year contributions, which was (\$21,773). Total pension expense for the Town of Oak Grove for the year ended June 30, 2017 was \$39,101.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

At June 30, 2017, 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	\$2,774	\$4,888
Changes in assumptions	16,856	-
Net difference between projected and actual earnings on pension plan	82,914	-
Changes in employer's proportion of beginning net pension liability	-	12,290
Differences between employer and proportionate share of contributions	(14,957)	7,352
Subsequent measurement contributions	36,352	-
<b>Total</b>	<b>\$123,939</b>	<b>\$24,530</b>

The \$36,352 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, 2018. 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:	
2018	\$24,852
2019	24,852
2020	24,852
2021	24,852

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

**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, 2016 is as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.500%
Inflation rate	2.875%
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.

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.6%
Public fixed income	35%	1.8%
Alternatives	15%	0.8%
Totals	100%	5.2%
Inflation		2.5%
Expected arithmetic nominal return		7.6%



TOWN OF OAK GROVE  
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NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

*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.

*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 7.5%, 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 (6.5%) or one percentage-point higher (8.5%) than the current rate:

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
Employer's proportionate share of net pension liability	\$437,587	\$338,263	\$253,519

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)**

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

*Payables to the Pension Plan*

These financial statements include a payable to the pension plan of \$4,181, which is the legally required contribution due at June 30, 2017. 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](http://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:

5. Any age with 25 years of creditable service.
6. Age 50 with a minimum of twenty or more years of creditable service.
7. Age 55 with a minimum of twelve or more years of creditable service.
8. After 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

The monthly amount of benefits is 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**

5. Any age with 25 years of creditable service.
6. Age 55 with twelve or more years of creditable service.
7. 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.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

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, 2017, the Town of Oak Grove's total payroll for all employees was \$242,396. Total covered payroll was \$221,912. 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](http://www.lampers.org).

*Contributions*

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2017, the actual employer contribution rate was 31.75%, 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, 2017 were \$70,457.

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

At June 30, 2017, the Employer reported a liability of \$546,670 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016, the Town's proportion was 0.058325%, which was a decrease of 0.010617% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town of Oak Grove recognized a system pension expense of \$69,614 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, and current year contributions, which was (\$46,162). Total pension expense for the Town of Oak Grove for the year ended June 30, 2017 was \$23,452.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

At June 30, 2017, 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	\$-	\$8,696
Changes in assumption	26,579	33
Net difference between projected and actual earnings on pension plan investments	84,118	-
Changes in employer's portion of beginning net pension liability	99,560	160,347
Differences between employer contributions and proportionate share of employer contributions	6,186	-
Subsequent measurement contributions	70,457	-
Total	\$286,900	\$169,076

The \$70,457 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, 2017. 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:	
2018	\$29,456
2019	29,456
2020	29,456
2021	29,456

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Police 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, 2016 as follows:

Valuation Date	June 30, 2016	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Investment Rate of Return	7.5%, net of investment expense	
Inflation rate	2.875%	
Mortality	<p>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.</p> <p>RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.</p>	
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	<p>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.</p>	

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

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 expense 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. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	53%	3.69%
Fixed income	21%	0.49%
Alternatives	20%	1.11%
Other	6%	0.21%
Totals	100%	5.50%
Inflation		2.75%
Expected arithmetic nominal return		8.25%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5%. 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, 2017**

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**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 7.5%, 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 (6.5%) or one percentage-point higher (8.5%) than the current rate:

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
Employer's proportionate share of net pension liability	\$728,758	\$546,670	\$393,790

*Payables to the Pension Plan*

These financial statements include a payable to the pension plan of \$27,751, which is the legally required contribution due at December 31, 2016. 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](http://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 \$31,897. The related expenditures of \$31,897 are included in public safety expenditures in the General Fund.

**NOTE 9 – 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.

At June 30, 2017, the Town was not involved in any lawsuits at year end.

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

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**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 – SUBSEQUENT EVENTS**

On December 17, 2016, the Town Council passed a resolution declaring the intention to issue Sewer Revenue Bonds in an amount not to exceed \$1,000,000. As of June 30, 2017, the bonds had not been issued. Management has evaluated subsequent events through December 19, 2017, the date on which the financial statements were available to be released.

**NOTE 12 – STEWARDSHIP**

For the year ended June 30, 2017, for the sum of expenditures and other uses, actual amounts exceeded budgeted amounts in the following funds:

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General	\$546,558	\$ 626,000	\$ 634,417	\$ 8,417
Sales Tax	670,006	683,000	710,051	27,051
Street	74,000	88,000	110,499	22,499
Economic Development	17,000	20,000	26,151	6,151

**NOTE 13 – NEW ACCOUNTING STANDARDS**

GASB has issued the following statements:

*Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* - The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. There were no significant effects on these financial statements.

*Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* - The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. This statement does not affect these financial 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. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged. This statement has been implemented.



TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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NOTE 13 – NEW ACCOUNTING STANDARDS (CONTINUED)

Statement No. 77, *Tax Abatement Disclosures* - The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* - The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. There were no significant effects on these financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants* - The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. There were no significant effects on these financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* - The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. This statement does not affect these financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements* - The requirements of this Statement are effective for periods beginning after December 15, 2016. 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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 13 – NEW ACCOUNTING STANDARDS (CONTINUED)**

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.

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

An error was made in calculations of GASB 68 pension amounts as of June 30, 2016. The correction of the error results in an increase in beginning net position for governmental activities and business-type activities of \$613,253 and \$27,272, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

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

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$156,000	\$166,000	<b>\$ 156,240</b>	\$ (9,760)
Intergovernmental revenues	29,000	81,000	<b>80,515</b>	(485)
Licenses and permits	137,000	111,000	<b>162,360</b>	51,360
Charges for services	5,000	10,000	<b>9,195</b>	(805)
Fines	42,000	73,000	<b>70,526</b>	(2,474)
Lease income	4,000	7,000	<b>4,040</b>	(2,960)
Interest earned	-	2,000	<b>2,485</b>	485
Other revenues	14,000	2,000	<b>3,212</b>	1,212
Total revenues	<u>387,000</u>	<u>452,000</u>	<u><b>488,573</b></u>	<u>36,573</u>
Expenditures:				
Current:				
General government	166,500	172,000	<b>165,599</b>	6,401
Public safety	378,058	413,000	<b>408,618</b>	4,382
Health and welfare	1,000	2,000	<b>1,872</b>	128
Culture and recreation	1,000	1,000	<b>987</b>	13
Capital outlay	-	30,000	<b>57,341</b>	(27,341)
Total expenditures	<u>546,558</u>	<u>618,000</u>	<u><b>634,417</b></u>	<u>(16,417)</u>
Excess (deficiency) of revenues over expenditures	<u>(159,558)</u>	<u>(166,000)</u>	<u><b>(145,844)</b></u>	<u>20,156</u>
Other financing sources (uses):				
Transfers in	100,000	100,000	<b>113,800</b>	13,800
Transfers out	-	(8,000)	-	8,000
Proceeds from sale of capital assets	-	3,000	<b>3,500</b>	500
Proceeds from insurance	-	-	<b>4,066</b>	4,066
Total other financing sources (uses)	<u>100,000</u>	<u>95,000</u>	<u><b>121,366</b></u>	<u>26,366</u>
<b>Net change in fund balances</b>	(59,558)	(71,000)	<b>(24,478)</b>	46,522
Fund balances at beginning of year	270,220	282,279	<b>282,279</b>	-
<b>Fund balances at end of year</b>	<u>\$210,662</u>	<u>\$211,279</u>	<u><b>\$ 257,801</b></u>	<u>\$ 46,522</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 734,000	\$ 720,000	\$ 808,884	\$ 88,884
Interest earned	13,000	13,000	5,767	(7,233)
Total revenues	<u>747,000</u>	<u>733,000</u>	<u>814,651</u>	<u>81,651</u>
Expenditures:				
Current:				
General government	266,906	287,000	287,324	(324)
Public safety	25,000	25,000	24,855	145
Highways and streets	93,600	99,000	93,152	5,848
Health and welfare	11,000	14,000	15,388	(1,388)
Culture and recreation	24,500	3,000	3,497	(497)
Total expenditures	<u>421,006</u>	<u>428,000</u>	<u>424,216</u>	<u>3,784</u>
Excess (deficiency) of revenues over expenditures	<u>325,994</u>	<u>305,000</u>	<u>390,435</u>	<u>85,435</u>
Other financing sources:				
Transfers out	<u>(249,000)</u>	<u>(255,000)</u>	<u>(285,835)</u>	<u>(30,835)</u>
<b>Net change in fund balances</b>	76,994	50,000	<b>104,600</b>	54,600
Fund balances at beginning of year	<u>1,575,207</u>	<u>1,572,434</u>	<u>1,572,434</u>	-
<b>Fund balances at end of year</b>	<u><u>\$ 1,652,201</u></u>	<u><u>\$ 1,622,434</u></u>	<u><u>\$ 1,677,034</u></u>	<u><u>\$ 54,600</u></u>

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

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

**SPECIAL REVENUE FUND – STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 70,000	\$ 71,000	\$ 70,277	\$ (723)
Intergovernmental revenues	-	-	3,096	3,096
Interest earned	1,000	1,000	655	(345)
Total revenues	<u>71,000</u>	<u>72,000</u>	<u>74,028</u>	<u>2,028</u>
Expenditures:				
Current:				
General government	1,000	1,000	655	345
Highways and streets	73,000	85,000	94,563	(9,563)
Capital outlay	-	2,000	1,481	519
Total expenditures	<u>74,000</u>	<u>88,000</u>	<u>96,699</u>	<u>(8,699)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,000)</u>	<u>(16,000)</u>	<u>(22,671)</u>	<u>(6,671)</u>
Other financing sources:				
Transfers in	-	(18,000)	-	18,000
Transfers out	-	-	(13,800)	(13,800)
Proceeds from insurance	-	-	3,188	3,188
Total other financing sources	<u>-</u>	<u>(18,000)</u>	<u>(10,612)</u>	<u>7,388</u>
<b>Net change in fund balances</b>	(3,000)	(34,000)	<b>(33,283)</b>	717
Fund balances at beginning of year	60,893	86,056	86,056	-
<b>Fund balances at end of year</b>	<u>\$ 57,893</u>	<u>\$ 52,056</u>	<u>\$ 52,773</u>	<u>\$ 717</u>

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

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

**SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest earned	\$ 1,000	\$ -	\$ 945	\$ 945
Other revenues	-	-	<b>153,000</b>	153,000
Total revenues	<u>1,000</u>	<u>-</u>	<b><u>153,945</u></b>	<u>153,945</u>
Expenditures:				
Current:				
Economic development	<u>17,000</u>	<u>20,000</u>	<b><u>26,151</u></b>	<u>(6,151)</u>
Total expenditures	<u>17,000</u>	<u>20,000</u>	<b><u>26,151</u></b>	<u>(6,151)</u>
Excess (deficiency) of revenues over expenditures	<u>(16,000)</u>	<u>(20,000)</u>	<b><u>127,794</u></b>	<u>147,794</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>18,000</u>	<b><u>13,589</u></b>	<u>(4,411)</u>
<b>Net change in fund balances</b>	(16,000)	(2,000)	<b>141,383</b>	143,383
Fund balances at beginning of year	<u>212,132</u>	<u>213,627</u>	<b><u>213,627</u></b>	<u>-</u>
<b>Fund balances at end of year</b>	<b><u>\$ 196,132</u></b>	<b><u>\$ 211,627</u></b>	<b><u>\$ 355,010</u></b>	<b><u>\$ 143,383</u></b>

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

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

**SPECIAL REVENUE FUND – CEMETERY FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 28,000	\$ 28,000	\$ 27,979	\$ (21)
Charges for services	6,000	12,000	10,575	(1,425)
Interest earned	5,000	5,000	1,366	(3,634)
Total revenues	<u>39,000</u>	<u>45,000</u>	<u>39,920</u>	<u>(5,080)</u>
Expenditures:				
Current:				
General government	-	-	264	264
Cemeteries	36,733	43,733	43,344	(389)
Total expenditures	<u>36,733</u>	<u>43,733</u>	<u>43,608</u>	<u>(125)</u>
<b>Net change in fund balances</b>	2,267	1,267	<b>(3,688)</b>	(4,955)
Fund balances at beginning of year	<u>336,302</u>	<u>330,478</u>	<u>330,478</u>	-
<b>Fund balances at end of year</b>	<u>\$ 338,569</u>	<u>\$ 331,745</u>	<u>\$ 326,790</u>	<u>\$ (4,955)</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  
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Year</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability</b>
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%

*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 SHARE OF NET PENSION LIABILITY  
MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Year</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability</b>
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%

*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  
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2017**

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

*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  
MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2017**

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

*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, 2017

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Adam T. Holland, Mayor:	
Salary	\$ 18,000
Benefits	1,377
Reimbursements:	
Conference registrations and travel expenses	3,759
Convention and travel paid to third parties	<u>1,083</u>
Total	<u>\$ 24,219</u>

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

**SCHEDULE OF COMPENSATION TO TOWN COUNCIL  
FOR THE YEAR ENDED JUNE 30, 2017**

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Todd Nevels, Mayor Pro Tem	\$ 1,400
Noel Haynes	1,100
James E. Philley	1,200
Cherry P. Rye	1,200
Garland C. Walker	1,200
Total	<u>\$ 6,100</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, 2017, 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 19, 2017.

**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 2016-003, 2017-004, 2017-005 through 2017-008, and 2017-015 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 2017-009, 2017-010, 2017-012 and 2017-013 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, 2017

**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 2017-001 through 2017-003, 2017-014, and 2017-016.

**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 19, 2017



TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

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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 four 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. Five 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*

**2017-001 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, 2017

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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.

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

Year First Reported

2016

Type

Compliance

Criteria

The Town's Home Rule Charter includes the following requirements:

1. Sec. 2-204. Compensation. – "The monthly salary of councilmen shall be one hundred dollars (\$100.00) until changed by ordinance. This salary shall only be paid if the councilman is actually in attendance at the regular monthly meeting. Any ordinance increasing the salary or granting any other monetary compensation shall be effective only after the next regular mayoralty election (and) must have been passed prior to six (6) months before that election."
2. Sec. 2-208. Actions – Any action making an appropriation shall be by ordinance.
3. Sec. 3-301. Executive Authority – "All executive and administrative authority shall be exercised by and through the mayor except as otherwise set forth in this charter." (emphasis added)
4. Sec. 3-307. Powers and duties. "The mayor shall preside...He shall have supervising control of all offices and affairs of the municipality..."
5. Sec. 4-409. Town employees. – "Provisions for employment for all town employees shall be made by the council at the time the annual budget ordinance is passed, and the salaries of said employees shall be provided for in the budget." (emphasis added)

Condition

We noted the following issues that appear to violate the Charter:

1. We noted no provision in the Charter for a different amount for the Mayor Pro Tem. The Mayor Pro Tem received a total of \$1,400. He received only the \$100 per month for the latter part of the year.
2. Amendments to the budget were approved at open meetings but not by ordinance.

Cause

Internal control policies and procedures did not prevent noncompliance.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

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Effect

The Council and management appear to have violated the Charter.

Recommendation

We recommend that management evaluate all the requirements of the Charter for the purpose of designing and implementing procedures to ensure compliance with all requirements. We also recommend that management and the Council consult with legal counsel to ensure a proper understanding of the Charter and to determine what courses of action should be taken.

Management's Response

See management's corrective action plan.

**2017-003 Payment of Police Tickets Not Traceable to Deposits**

Year First Reported

2016

Type

Material Weakness and Compliance

Criteria

Basic internal control procedures include documentation of police tickets from issuance to disposition. If the disposition is payment from the offender, then documentation must provide a trail to the bank deposit.

Condition

We were unable to trace one out of ten police tickets to a bank deposit. We could not determine why the deposit was \$34 less than the total of receipts that were presented to support the deposit.

Cause

Internal control policies and procedures did not ensure that receipts were deposited.

Effect

Receipts could be stolen or misclassified in the accounting records. Therefore, the financial statements could be misstated.

Recommendation

We recommend that management design and implement procedures to ensure that there is an audit trail from the time a ticket book is purchased until the disposition of each ticket. If the disposition is payment by the offender, there should be a clear documented trail to a bank deposit. Internal control must include monitoring to verify that the procedures are operating as intended.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

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Management's Response

See management's corrective action plan.

**2017-004 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.
4. A bank account was closed during the year. The Clerk failed to record the final transactions and reconcile the account through the last month it was open.

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, 2017

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Effect

1. When accounts are not properly classified, improper automatic entries are recorded, or proper automatic entries are not recorded, depending on the proper 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 was 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.

**2017-005 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, 2017**

---

**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 \$3,000. We noted the following issues:

1. In the General Fund, three out of five purchases were not properly authorized, and five out of five disbursements were not supported by evidence that goods or services were received (receiving reports or signed invoices).
2. In the Sales Tax Fund, two out of two disbursements were not supported by evidence that goods or services were received (receiving reports or signed invoices).
3. For the Street Fund, two of two disbursements were not supported by evidence that goods or services were received (receiving reports or signed invoices).
4. One out of three disbursements from the USDA fund were not supported by evidence that goods or services were received (receiving reports or signed invoices).
5. A large contract paid from the Water and Sewer Funds, was not authorized by the Council.

We also tested a sample of purchases made via credit card. We noted that for two cards, the prior month's balances were not paid in full. We noted a finance charge on one of the cards.

**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, 2017

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**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.

**2017-006 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, 2017**

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**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.

**2017-007 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, 2017

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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 initiates the payment of accounts payable, prepares checks, posts checks, and mails checks.
  - b. The utility accounting clerks 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, 2017

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**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.
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.

**2017-008 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.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

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**Condition**

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

1. Budgeting
2. Purchasing
3. Disbursements
4. Receipts
5. Contracting
6. Credit Cards
7. Ethics
8. 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.

**2017-009 Deficiencies in Payroll System**

**Year First Reported**

2017

**Type**

Material Weakness

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

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**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 three months out of the year.
4. Contribution reports to the Municipal Police Employees’ Retirement System did not match the payroll records for seven months out of the year.
5. Police supplemental pay warrants were not dated for January, May, and June 2017.
6. 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.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

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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.

We were unable to determine whether supplemental pay reports were submitted on time.

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.

**2017-010 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, 2017

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**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.

**2017-011 Meter Deposits Not Reconciled**

**Year First Reported**

2017

**Type**

Significant Deficiency

**Criteria**

Basic procedures include periodically reconciling balance sheet amounts to supporting documents.

**Condition**

The liability for meter deposits payable to customers per the subsidiary ledger (billing system) was \$180,969 while the control account in the general ledger was \$73,423. Cash set aside for the liability totaled \$84,670.

**Cause**

Deposit refunds and transfers of deposits were not properly recorded in the subsidiary ledger. A reconciliation was not being performed as it was not part of policies and procedures.

**Effect**

Initially, the liability appeared to be understated causing an appearance that insufficient funds were set aside. During audit fieldwork, the clerks corrected the errors resulting in a new subsidiary total of \$69,345. An audit adjustment was recorded to reduce the liability by \$4,078. The cash set aside now exceeds the liability.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

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**Recommendation**

We recommend that the bookkeepers reconcile the account monthly.

**Management's Response**

See management's corrective action plan.

**2017-012 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 eight out of ten receipts were not deposited timely. The following is a summary of the errors:

<u>Cash Receipt Date</u>	<u>Deposit Date</u>
07/03/2016	07/15/2016
08/03/2016	08/25/2016
08/05/2016	08/25/2016
10/14/2016	10/31/2016
04/07/2017	04/13/2017
06/01/2017	06/13/2017
06/05/2017	06/13/2017

**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 more timely 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, 2017

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**2017-013 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, 2017

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Management's Response

See management's corrective action plan.

**2017-014 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 (see finding 2017-009), 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, 2017**

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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.

**2017-015 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 2017 totaled \$25,803. 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, 2017

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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.

*Prior Year*

**2016-001 Failure to Comply with the Local Government Budget Act**

Part of the finding is repeated as 2017-001.

**2016-002 Failure to Comply with the Town's Charter**

Part of the finding is repeated as 2017-002.

**2016-003 Payment of Police Tickets Not Traceable to Deposits**

The finding is repeated as 2017-003.



## 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, 2017, 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 19, 2017, 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:

### **ML2017-001 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**

Except that the Town records utility funds' billed receivables, the Town's books 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.

**ML2017-002 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 Need to Retain Documentation of Follow-up on Consumption Exceptions**

**Year First Reported**

2017

**Criteria**

Control procedures performed should be documented to provide an audit trail.

**Condition**

The utility billing system produces reports each month that indicate utility customer accounts with zero consumption readings and high readings each month. The department clerks research the flagged accounts but do not document that research and any actions taken as a result of the research.

**Cause**

The clerks were not aware they needed to retain documentation of the procedures.

**Effect**

The control procedures are not auditable.

**Recommendation**

We recommend that the clerks retain the consumption reports and make notes beside accounts describing the results of research and actions taken.

**Management's Response**

See management's corrective action plan.

**ML2017-004 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. The total of all such items was \$2,417. 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.

**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, 2017, 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 19, 2017

# TOWN OF OAK GROVE

ADAM T. HOLLAND  
MAYOR

CHERRY RYE  
MAYOR PRO TEM

MELLISSA CORLEY  
SECRETARY-TREASURER

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ATTORNEY

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TOWN  
COUNCIL

Noel Haynes  
James Philley  
Todd Nevels  
Garland Walker

December 29, 2016

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

In response to the findings in our 2017 audit, we wish to advise you that the Town of Oak Grove has taken the following steps to correct the findings:

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

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

This has been noted and the Clerk will make sure that future publications include a statement that the budget is available for inspection.

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

- 1. We noted no provision in the Charter for a different amount for the Mayor Pro Tem. The Mayor Pro Tem received a total of \$1,400. He received only the \$100 per month for the latter of the year.**

This has been corrected and all Council Members are paid \$100 per month.

- 2. Amendments to the budget were approved at open meetings but not by ordinance.**

The original Budget Ordinance now includes a statement that amendments to the budget shall be approved by the Council in a public meeting.

## **2017-003 Payment of Police Tickets Not Traceable to Deposits**



This has been noted and steps have been taken to track deposits more efficiently.

#### **2017-004 Accounting System Setup Errors**

- 1. Some accounts were classified incorrectly in the accounting system as to type (asset, liability, revenue, expenditure).**

Accounting clerks now have a better understanding of the proper set of accounts and payroll items.

- 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.**

Current misclassifications are being corrected.

- 3. The internal control system does not include adequate monitoring procedures. No one has been reviewing the general ledger for errors and unusual items.**

The Town Clerk is now reviewing the general ledger from each fund monthly to check for errors.

#### **2017-005 Purchasing System Not Properly Designed or Implemented**

- 1. In the General Fund, three out of five purchases were not properly authorized , and five out of the five disbursements were not supported by evidence that goods or services were received (receiving reports or signed invoices).**

This has been noted and we are now signing invoices or receiving reports.

- 2. In the Sales Tax Fund, two out of two disbursements were not supported by evidence that goods or services were received (receiving reports or signed invoices)**

This has been noted and we are now signing invoices or receiving reports.

- 3. For the Street Fund, two of two disbursements were not supported by evidence that goods or services were received (receiving reports or signed invoices)**

This has been noted and we are now signing invoices or receiving reports.

- 4. One out of three disbursements from USDA fund were not supported by evidence that goods or services were received (receiving reports or signed invoices).**

This has been noted and we are now signing invoices or receiving reports.

5. A large contract paid from the Water and Sewer Funds, was not authorized by the Council.

This was not a contract. This was several repairs done by one individual over a period of time. Invoices for the work were not sent in a timely manner resulting in a large amount due at one time. This individual has been instructed that any invoice for work done must be received each month or the Town will no longer be able to do business with him.

We also tested a sample of purchases made via credit card. We notice that for two cards, the prior month's balances were not paid in full. We noted a finance charge on one of the cards.

The incorrect amount had been paid in error resulting in a past due amount (finance charge). Invoices are now checked more carefully to insure the correct amount due each month is paid.

#### **2017-006 Security Deficiencies**

Management is evaluating the building and looking at ways to improve the safety and security of the governmental accounting offices. City hall now closes to the public earlier each day to allow daily deposits to be prepared in a more secure setting.

#### **2017-007 Lack of Segregation of Duties**

We have begun steps to have better segregation of duties. Each employee has their own cash drawer that is counted down for deposit at the end of each day. The office closes to the public thirty minutes early in order for the cash drawers to be counted securely and deposits prepared. When feasible, the police clerk collects all payments and the governmental accounting clerk posts the payments in QuickBooks. All bank statements are reviewed by the Clerk before and after the bank accounts are reconciled. The Clerk is reviewing general ledgers from each fund monthly.

#### **2017-008 Lack of Written Policies and Procedures**

The Clerk and Mayor are continually working to write and revise policies and procedures for council approval. Since the time of the audit, we have adopted policies for budgeting and ethics.

#### **2017-009 Deficiencies in Payroll System**

We have begun requiring leave requests prior to any time off except unforeseen sick days or emergencies. The Clerk has begun reviewing retirement reports and payroll tax returns. We are working on revising our employee policy to address payroll issues.

#### **2017-010 No Physical Inventory of Assets**

We are working on developing policies and procedures to include an annual inventory.

**2017-011 Meter Deposits Not Reconciled**

There was a problem with the way deposits were posted in the billing system. Errors have been corrected and entries are now being recorded correctly in the system.

**2017-012 Receipts not Timely Deposited**

Deposits are now being prepared daily.

**2017-013 Possible Violations of Louisiana Constitution**

Employees who have health coverage for their family members are now required to reimburse the town for the premium the same day that the town pays the insurance premiums.

Management is working with the council to amend the personnel policy to provide holiday pay for officers in a manner that does not violate the Constitution.

**2017-014 Internal Control System Lacks Basic Components**

The Town Clerk is reviewing documents and reports monthly to check for any errors. The Clerk and the Mayor are meeting on a regular basis to evaluate the internal control system.

**2017-015 Quotes for Fuel**

The Town has recently begun using Fuelman cards to purchase fuel.

**In Response the Management Letter:**

**ML2017-001 Basis of Accounting**

The Town will review GAAP and work to maintain books on an accrual basis in the future.

**ML2017-002 Interfund Balances Should be Cleared**

The Town Clerk will be reviewing general ledgers monthly from each account to be sure that there are no interfund balances owed.

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

The utility clerks are now aware that consumption reports are to be retained and they will begin making notes describing actions taken.

## **ML2017-004 Stale Outstanding Items on Bank Reconciliations**

The Town Clerk now reviews all bank statements and reconciliations each month and notes any outstanding items that should be checked on. State unclaimed property laws are now being followed.

### **In Response to the SAUP:**

#### **Written Policies and Procedures**

- A. Budgeting** – The Town adopted a Budget Policy on July 11, 2017
- B. Purchasing** – The Town is working on a purchasing policy
- C. Disbursements** – The Town is working on a disbursement policy
- D. Receipts** – The Town is working on a receipts policy
- E. Payroll/Personnel** – The Town is working on adding a payroll policy
- F. Contracting** – The Town is working on a contracting policy
- G. Credit Cards** – The Town is working on a credit card policy
- H. Travel and expense reimbursement** – No exceptions noted
- I. Ethics** – The personnel policy now includes an ethics policy
- J. Debt Service** – The Town is working on a debt service policy

#### **Board (or Finance Committee, if applicable)**

**2.(b) Minutes did not reference or include monthly budget-to-actual comparisons.**

The Town now includes the approval of financial statements(budget-to-actual) on its agenda for each monthly meeting to be approved by the council and recorded in the minutes.

**c. The Town should include approval of contracts in the minutes**

New contracts are approved in the minutes

#### **Bank Reconciliations**

**3. We determined the listing was not complete, Management should maintain a complete list of bank accounts.**

USDA bank accounts were not listed because statements for those accounts are received by USDA. The Clerk now requests copies of these statements from the bank each month and lists them with the other bank accounts.

**4. (a). Management should ensure all transactions are recorded each month. Management should obtain the USDA bank statements from USDA each month.**

USDA bank statements are now being received and reconciled.

**(b.) Management should review each bank reconciliation and document that review by initialing and dating the reconciliation after the preparer initials and dates the reconciliation.**

The Town Clerk now reviews and initials each bank statement after they are prepared has reconciled the statement.

**©. Management should review each reconciling item that has been outstanding for more than 6 months as of the end of the fiscal period and document that review by notating the results of the investigation.**

The Town Clerk now reviews each statement and notes any outstanding items that need to be investigated.

#### **Collections**

5. None

6. **(a.) Management should design a system that properly segregates the duties of custody, authorizations, and recording. The system should be monitored to assure that it operates correctly.**

The Town has taken steps to properly segregate duties. Each person who collects payments now has a separate cash drawer that is balanced at the end of each day and a deposit prepared. When feasible due to the amount of staff in the office, one person is responsible for the collection of payments and another person is responsible for posting those payments in the software system.

**(b.) Management should design a system that properly segregates the duties of custody, authorization and recording. The system should be monitored to assure that it operates correctly.**

The Town now has one person who collects all money (unless she is out). Payments are posted by the other person in the office.

**©. Deposits should be made within one day of receipt. All receipts should be supported by receipt data.**

Deposits are now being prepared daily.

7. **Management should prepare written policies and procedures to document a process to determine completeness of all collections by a person who is not responsible for collections.**

The Town is working on policies and procedures for collections.

**Disbursements – General (excluding credit card/debit card/fuel card/ P – Card purchases or payments)**

8. None

9. (a) **Purchase orders should be issued before expenditure is incurred. Items to be purchased should be listed on the purchase order along with an estimate of the cost. The employee requesting the items should be documented. The person authorized to approve the purchases should sign the purchase order.**

The Town has taken steps to issue purchase orders before an expenditure occurs. Department heads are the only ones authorized to purchase and issue purchase orders.

(b) **The approver should be a different than the person initiating the purchase and from the person responsible for recording the purchase and issuing checks.**

The Town is working on improving our purchasing procedures.

© **Management should ensure that purchase orders are issued properly and that someone takes responsibility for receipt of all goods and services by signing or initialing invoices or packing slips.**

Management has instructed employees and department heads to document goods received by initialing receipts or invoices.

10. **Management should design the system to properly segregate duties ensuring that the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.**

The Town is working on policies and procedures for purchasing.

11. **Management should design the system to ensure that persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.**

The Town is working on policies and procedures for purchasing.

12. **Management should design the system to ensure that the supply of unused checks is stored in locked storage device at all times and only accessible by authorized persons who are not responsible for printing and posting checks.**

The supply of unused checks is now being kept in a locked safe. The Town Clerk monitors when checks are written and reviews the general ledgers for each account each month.

13. **Management should design the system to ensure that the signature stamp is locked at all times and only accessible by persons authorized to use the stamp.**



**Authorized persons should not include those responsible for printing and posting checks.**

The Mayor's signature stamp is now kept in a locked safe and only used with the Mayor's permission. The Town Clerk is authorized to use the stamp, as she is not responsible for printing and posting checks.

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

**14. Management should maintain a complete list of all cards**

The Town maintains a list of all cards

**15.(a) Management should review the statements and supporting documentation and document that review and approval.**

The Town Clerk is now reviewing the statements and supporting documents. Supporting documents are attached to the statements by the clerk and given to the proper person for payment.

**(b) Finance charges and late fees should not be paid. Management should ensure that balances are paid in full before the due date.**

The issues noted were for accounts that the incorrect amount was paid initially which caused a late fee on one account and a credit on the other. Both issues have been corrected and the Clerk is carefully reviewing each statement each month to make sure all balances are paid in full each month.

**16.(a) Management should ensure credit card transactions are properly documented, authorized, and supported before payment.**

Management is carefully inspecting credit card transactions. Fuel purchases are now made using Fuelman Cards which can be tracked with more detail.

**Travel and Expense Reimbursement**

**18. Management should ensure that its newly adopted policy is followed and maintained.**

The travel and expense policy is reviewed and revised as needed.

**Contracts**

**20. Management should maintain a complete listing of contracts.**

The Town Clerk is working with the Mayor to ensure the list of contracts is complete.

**21. (b) Management should solicit quotes for contracted services when the Louisiana Public Bid Law or Procurement Code do not apply.**

The Town will seek legal counsel to determine when to solicit quotes for contracted services.

**Payroll and Personnel**

**22.(b) We were unable to locate documentation of approval of pay rates for two of the five employees selected. Management should ensure that pay rates and changes in pay rates are properly authorized and that authorization is documented.**

The Town uses Status Change forms to record any change in pay for employees. Those forms are filed in each employees' personnel file.

One employee had only been employed for 6 months and had not received a pay increase. His beginning wage was not recorded in his personnel file. This has been noted and the Clerk is making sure that every employee has a starting wage documented in their personnel file. The other employee had change forms in his file but some were incomplete. This has been noted and the Clerk is making sure that all change forms are filled out completely.

**23. (a) Management should require that all employees (both salaried and hourly) record and report attendance and leave.**

The Town is working on designing better means of recording attendance for all employees.

**(b) Management should require that supervisors approve attendance records, leave requests and leave records.**

The Town has begun using leave request forms that are signed by the supervisor and the Mayor as well as the employee.

**25. Management should require that responsible employees document the filing date of payroll forms. We noted no instances when payroll taxes and retirement contributions were not remitted on time.**

Payroll tax forms and retirement forms are now being signed and dated by the person responsible for filing.

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

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TOWN  
COUNCIL

Noel Haynes  
James Philley  
Todd Nevels  
Garland Walker

December 19, 2017

Bosch & Statham, LLC  
Post Office Box 2377  
Ruston, LA 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, 2016 through June 30, 2017, 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; disbursements; credit/debit/fuel/purchasing cards; travel and expense reimbursement; contracts; payroll and personnel; ethics; debt service; and other areas (should be customized by entity, as applicable).

Yes  No

2. For the fiscal period July 1, 2016 through June 30, 2017, 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, 2017, and December 19, 2017.

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 provided to you is complete.
- Yes  No
8. We represent that the listing of cash/check/money order (cash) collection locations provided to you is complete.
- Yes  No
9. We represent that the listing of entity disbursements or the general ledger population of entity disbursements provided to you is complete.
- Yes  No
10. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards, provided to you is complete.
- Yes  No
11. We represent that the listing of all travel and related expense reimbursements, by person, during the fiscal period or the general ledger population of travel and related expense reimbursements provided to you is complete.
- Yes  No
12. We represent that the listing of all contracts in effect during the fiscal period or the general ledger population of contract payments provided to you is complete.
- Yes  No
13. We represent that the listing of employees (and elected officials, if applicable) with their related salaries provided to you is complete.
- Yes  No
14. We represent that the listing of employees (and elected officials, if applicable) that terminated during the fiscal period provided to you is complete.
- Yes  No
15. We have disclosed to you [*list other matters as you have deemed appropriate*].
- Yes  No
16. We have responded fully to all inquiries made by you during the engagement.

Yes  No

17. We are not aware of any events that have occurred subsequent to June 30, 2017, 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  Date 12-29-17

Title Mayor

Signature Melissa Coley Date 12/29/17

Title Clerk



Independent Accountant's Report  
on Applying Agreed-Upon Procedures

To the Mayor and Council of the Town of Oak Grove, Louisiana,  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Oak Grove, Louisiana, (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, 2016 through June 30, 2017. 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***

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1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

*The Town does not have a budgeting policy as of June 30, 2017.*

*Conclusion: The Town should adopt a budgeting policy.*

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

- 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.

*The Town does not have a purchasing policy as of June 30, 2017.*

*Conclusion: The Town should adopt a purchasing policy.*

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

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

*The Town does not have a disbursements policy as of June 30, 2017.*

*Conclusion: The Town should adopt a disbursements policy.*

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



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- d) **Receipts**, including receiving, recording, and preparing deposits  
*The Town does not have a receipts policy as of June 30, 2017.*  
*Conclusion: The Town should adopt a receipts policy.*  
*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 Town has a personnel policy. However, the policy does not address payroll processing as of June 30, 2017.*  
*Conclusion: The Town should adopt a payroll policy.*  
*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  
*The Town does not have a contracting policy as of June 30, 2017.*  
*Conclusion: The Town should adopt a contracting policy.*  
*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, and (5) monitoring card usage  
*The Town does not have a credit card policy as of June 30, 2017.*  
*Conclusion: The Town should adopt a credit card policy.*  
*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 Town adopted a travel and expense reimbursement policy on June 13, 2017. The policy addresses allowable expenses, dollar thresholds by category of expense, documentation requirements and required approvers.*  
*Conclusion: We noted no exceptions.*  
*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 Town does not have an ethics policy as of June 30, 2017.*  
*Conclusion: The Town should adopt an ethics policy.*  
*Management's Response: See Management's Corrective Action Plan*

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

*The Town does not have a debt service policy as of June 30, 2017.*

*Conclusion: The Town should adopt a debt service policy.*

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

**Board (or Finance Committee, if applicable)**

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2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*The managing board met at least monthly.*

*Conclusion: No exceptions were noted.*

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

*The minutes did not reference or include monthly budget-to-actual comparisons.*

*Conclusion: The Town should reference or include monthly budget-to-actual comparisons in the minutes.*

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

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*The minutes did not reference or include monthly budget-to-actual comparisons.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*The minutes did referenced approval of monthly disbursements.*

*Conclusion: The Town should include approval of contracts in the minutes.*

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



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***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*We obtained a listing and management's representation that the listing is complete.*

*Conclusion: We determined the listing was not complete. Management should maintain a complete list of bank accounts.*

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

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

*Bank reconciliations were prepared for all twelve months for four of the five accounts selected for testing. The fifth account is a USDA grant account. USDA requires that the bank statements be mailed to USDA. The Town had not obtained the bank statements, recorded the transactions, or reconciled the bank account.*

*Conclusion: Management should ensure all transactions are recorded each month. Management should obtain the USDA bank statements from USDA or the bank each month.*

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

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*The bank reconciliations did not include evidence that a member of management or a board member has reviewed each bank reconciliation.*

*Conclusion: Management should review each bank reconciliation and document that review by initialing and dating the reconciliation after the preparer initials and dates the reconciliation.*

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

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.



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*The bank reconciliations did not include documentation reflecting that management had researched reconciling items that had been outstanding for more than 6 months as of the end of the fiscal period.*

*Conclusion: Management should review each reconciling item that has been outstanding for more than 6 months as of the end of the fiscal period and document that review by notating the results of the investigation.*

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

**Collections**

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5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*We received the listing and the representation.*

*Conclusion: No exceptions noted.*

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*There were no policy manuals or job descriptions. We obtained surety bonds. All persons collecting cash appear to be bonded. Four employees collect cash. All four collectors prepare deposits and take deposits to the bank on occasion. There are two cash drawers at one station and two cash drawers at another station. At each station two employees share the cash drawers. Three of the four collectors are also responsible for recordkeeping.*

*Conclusion: Management should design a system that properly segregates the duties of custody, authorization, and recording. The system should be monitored to assure that it operates correctly.*

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

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- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*We obtained receipt books for governmental funds and reports for the proprietary funds. We obtained the accounts receivable balancing worksheet for the proprietary funds. We noted no policy manuals except the customer utility accounts policy that was adopted by the Council on June 13, 2017. The governmental funds' receipts are logged in a book which ties to deposits posted in the accounting system and deposited in the bank. This is performed by one of the two employees who collects cash. It does not appear that anyone reviews the records. Proprietary funds' receipts are posted to the billing software and a deposit is prepared. The same two persons who collect payments post the payments, prepare the deposits, and record the deposits in the accounting software. One of the two persons prepares a balancing worksheet.*

*Conclusion: Management should design a system that properly segregates the duties of custody, authorization, and recording. The system should be monitored to assure that it operates correctly.*

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

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

*We prepared a schedule from the general ledger summarizing deposits by week to identify the highest week of cash collections.*

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

*We traced the deposits back to supporting documentation including receipt data, deposit slips, and bank statements. One deposit was made five days after receipt.*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*One receipt could not be traced back to supporting receipt data.*

*Conclusion: Deposits should be made within one day of receipt. All receipts should be supported by receipt data.*

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



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7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

*There were no written policies and procedures for collections.*

*Conclusion: Management should prepare written policies and procedures to document a process to determine completeness of all collections by a person who is not responsible for collections.*

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

**Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)**

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*We exported to Excel check details from the accounting system for each fund.  
We obtained management's representation that the listing is complete.*

*Conclusion: No exceptions were noted.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*A purchase order system is in place but is not properly used. It appears that purchase orders are usually begun before the purchase but without details as to items to be purchased or estimates of cost. It appears that the invoices or receipts are recapped on the purchase orders after the purchase has occurred.*

*Conclusion: Purchase orders should be issued before an expenditure is incurred. Items to be purchased should be listed on the purchase order along with an estimate of the cost. The employee requesting the items should be documented. The person authorized to approve purchases should sign the purchase order.*

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

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*It is not clear whether the person initiating the purchase is separate from the person approving the purchase order.*



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*Conclusion: The approver should be different than the person initiating the purchase and from the person responsible for recording the purchase and issuing checks.*

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

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*Out of 25 disbursements, 9 should have been supported by properly completed purchase orders but 4 were not. Out of 25 disbursements, documentation for 11 checks should have had documentation that goods were received. Out of 11, 5 checks did not include documentation of receipt of goods.*

*Conclusion: Management should ensure that purchase orders are issued properly and that someone takes responsibility for receipt of all goods and services by signing or initialing invoices or packing slips.*

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

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

*There are no written policies and procedures for purchasing. All three bookkeepers have access to the vendor list and can add, delete, or edit information.*

*Conclusion: Management should design the system to properly segregate duties ensuring that the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.*

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

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*There are no written policies and procedures for purchasing. It is not clear whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.*

*Conclusion: Management should design the system to ensure that persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.*

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



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12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*We observed the supply of unused checks stored in a vault in the governmental funds' bookkeepers' office. The vault was unlocked and accessible to anyone allowed access into that office. There are two doors to that office that serve as payment windows with half doors that are unlocked.*

*Conclusion: Management should design the system to ensure that the supply of unused checks is stored in locked storage device at all times and only accessible by authorized persons who are not responsible for printing and posting checks.*

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

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*We observed a stamp of the Mayor's signature stored in a vault in the governmental funds' bookkeepers' office. The vault was unlocked and accessible to anyone allowed access into that office. There are two doors to that office that serve as payment windows with half doors that are unlocked.*

*Conclusion: Management should design the system to ensure that the signature stamp is locked at all times and only accessible by persons authorized to use the stamp. Authorized persons should not include those responsible for printing and posting checks.*

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

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

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14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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 a listing of cards and management's representation that the listing is complete. We noted that there were some errors in the listing.*

*Conclusion: Management should maintain a complete list of all cards.*

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

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15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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 selected two cards for testing. One statement was missing for one of the cards initially selected for testing. For one card, we noted no evidence that the monthly statement and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder.*

*Conclusion: Management should review the statements and supporting documentation and document that review and approval.*

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

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*We noted that on two accounts, the Town did not pay the entire balances. We noted a finance charge on the Walmart account.*

*Conclusion: Finance charges and late fees should not be paid. Management should ensure that balances are paid in full before the due date.*

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

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*There were six transactions on the first card selected for testing. The purpose of the expense was not documented for two out of six transactions.*

*There were ten transactions on the other card selected for testing. This card was a gas station card. Purchase orders were not obtained for any of the transactions.*



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*Conclusion: Management should ensure credit card transactions are properly documented, authorized, and supported before payment.*

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

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*We compared the transactions' details to the policies and the bid law.*

*Conclusion: We noted no exceptions except for the matter noted in procedure number 9 above.*

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution.*

*Conclusion: We noted no exceptions except for the payment of finance charges described above.*

***Travel and Expense Reimbursement***

---

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*We obtained a listing of all travel and related expense reimbursements from the general ledger and sorted it to obtain totals by person. We also obtained management's representation that the listing or general ledger is complete.*

*Conclusion: We noted no exceptions.*

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18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*The Town did not adopt a policy related to travel and expense reimbursements until June 13, 2017.*

*Conclusion: Management should ensure that its newly adopted policy is followed and maintained.*

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

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*As noted in procedure 18, the Town did not adopt a travel and expense reimbursement policy until June 13, 2017. We compared the expense documentation to the GSA rates.*

*Conclusion: We noted no exceptions.*

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
  - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
  - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*As noted above, the Town did not adopt a travel and expense reimbursement policy until June 13, 2017.*

*Conclusion: Except for the failure to adopt a policy until late in 2017, we noted no exceptions.*



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- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*We compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value.*

*Conclusion: We noted no exceptions.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*We inspected receipts and other support for travel and expenses and noted that a person other than the person receiving the reimbursement signed off on the reimbursement reports.*

*Conclusion: We noted no exceptions.*

***Contracts***

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*We obtained a listing of contracts and management's representation that the listing was complete. We found that some contracts had been omitted by oversight.*

*Conclusion: Management should maintain a complete listing of contracts.*

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

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21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*We inspected written contracts for each of the five vendors we selected. The contracts supported the amounts paid.*

*Conclusion: We noted no exceptions.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*None of the contracts selected for testing appeared to be subject to the Louisiana Public Bid Law or Procurement Code.*

*It does not appear that the entity solicited quotes for the referenced contracts as a best practice.*

*Conclusion: Management should solicit quotes for contracted services when the Louisiana Public Bid Law or Procurement Code do not apply.*

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

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*We noted no amendments to any of the selected contracts.*

*Conclusion: We noted no exceptions.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*We compared the largest payment from each of the five contracts to the supporting invoice and contract terms.*

*Conclusion: We noted no exceptions.*



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- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*We reviewed the board minutes and contract documentation. We noted no council approval of the contracts we selected for testing. However, we noted no such requirement in the Town's Home Rule Charter.*

*Conclusion: We noted no exceptions.*

***Payroll and Personnel***

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22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*We obtained the listing and management's representation that the listing is complete. We selected five employees/officials and obtained their personnel files.*

*We exported from the Town's accounting software a report of compensation paid to each employee. We noted no employment contracts or pay rate structures. It is the Town's policy to document each employee's salary/pay rate in the personnel file.*

*Conclusion: We noted no exceptions.*

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*We exported from the Town's accounting software a report for each of the selected employees that provided compensation per month. This allowed us to identify pay rate changes.*

*Conclusion: We were unable to locate documentation of approval of pay rates for two of the five employees selected. Management should ensure that pay rates and changes in pay rates are properly authorized and that authorization is documented.*

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

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23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Report whether 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 obtained attendance and leave records. Using the Town's accounting software, we identified a pay period (check issued May 5, 2017) in which leave was taken by at least one employee. We noted eight employees for testing. Only three out of eight employees documented attendance. The other employees have not been required by management to document attendance. All employees report leave time. It appears that two employees used accrued leave during the selected pay period. The leave was recorded in the employees' leave records.*

*Conclusion: Management should require that all employees (both salaried and hourly) record and report attendance and leave.*

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

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*For the three employees who recorded attendance during the selected pay period, the supervisors did approve the record. Of the two employees who appeared to use accrued leave, documentation of approval of leave was evident for one employee.*

*Conclusion: Management should require that supervisors approve attendance records, leave requests, and leave records.*

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

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*We inspected leave records maintained in a notebook.*

*Conclusion: We noted no exceptions.*



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24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*We obtained a representation from management that asserted no employees were terminated during the fiscal period. We also obtained management's representation that the list is complete.*

*Conclusion: We noted no exceptions.*

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*We obtained IRS Forms 941, Louisiana forms L-1, and retirement contribution reports for the Louisiana Municipal Employees Retirement System and the Louisiana Municipal Police Employees Retirement System. We used the Town's accounting software to ascertain pay dates and pay period dates. The Town did not document when the various reports were filed. Therefore, we were unable to conclude as to whether reports were filed timely.*

*Conclusion: Management should require that responsible employees document the filing date of payroll forms. We noted no instances when payroll taxes and retirement contributions were not remitted on time.*

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

***Ethics (excluding nonprofits)***

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26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

*We inspected ethics compliance documentation for four of the five employees/officials. The fifth employee was not employed long enough to acquire the training.*

*Conclusion: We noted no exceptions.*

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27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*We inquired of the Town Clerk who stated that she was not aware of any alleged ethics violations reported to the entity during the fiscal period.*

*Conclusion: We noted no exceptions.*

***Debt Service (excluding nonprofits)***

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*We noted no indications that debt was issued during the fiscal period.*

*Conclusion: We noted no exceptions.*

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*We agreed debt service expenditures to the amortization schedules and bank statements. We did not identify any debt reserve requirements.*

*Conclusion: We noted no exceptions.*

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*We noted no such millages.*

*Conclusion: We noted no exceptions.*

***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*We inquired of the Mayor and the Town Clerk. Both officials stated they were not aware of any misappropriations of public funds or assets.*

*Conclusion: We noted no exceptions.*

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32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*We inspected the notice posted at Town Hall. The Town does not have a website.*

*Conclusion: We noted no exceptions.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*We noted no exceptions.*

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 19, 2017