

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR
ENDED JUNE 30, 2016**



**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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Oak Grove'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, 2016, 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 48-52), the schedules of employer's share of net pension liability (page 53), and the schedules of contributions to pension plans (page 54) 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 Schedule of Compensation, Benefits, Reimbursements, and other Payments to or on Behalf of Agency Head and the Schedule of Compensation to Town Council 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, 2016

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, 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



Oak Grove, Louisiana
December 27, 2016

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2016

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, 2016. 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, 2016

THE TOWN AS A WHOLE

At June 30, 2016, net position was as follows:

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Current and other assets	\$ 2,658,080	\$ 2,587,456	\$ 696,815	\$ 679,474
Capital assets, net	1,989,730	2,023,048	2,887,203	3,196,742
Total assets	<u>4,647,810</u>	<u>4,610,504</u>	<u>3,584,018</u>	<u>3,876,216</u>
Deferred outflows	<u>284,851</u>	61,947	<u>36,476</u>	2,004
Liabilities:				
Current	31,202	20,033	94,631	110,178
Long-term	1,589,777	1,552,613	131,706	109,805
Total liabilities	<u>1,620,979</u>	<u>1,572,646</u>	<u>226,337</u>	<u>219,983</u>
Deferred inflows	<u>151,545</u>	95,755	<u>4,980</u>	8,821
Net position:				
Net investment in capital assets	1,728,730	1,639,048	2,887,203	3,196,742
Restricted	218,307	496,514	114,039	83,070
Unrestricted	1,213,100	868,488	387,935	369,604
Total net position	<u>\$ 3,160,137</u>	<u>\$ 3,004,050</u>	<u>\$ 3,389,177</u>	<u>\$ 3,649,416</u>

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2016

Net position of the Town's governmental activities increased five percent during the year ended June 30, 2016. 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, changed less than one percent.

Net position of the business-type activities decreased from \$3,518,008 to \$3,389,177. This decrease can be explained by the variance in revenues for projects funded by grants.

For the year ended June 30, 2016, net position changed as follows:

CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Program revenues:				
Charges for services	\$ 199,601	\$ 229,898	\$ 574,652	\$ 554,094
Operating grants and contributions	24,112	27,898	-	-
Capital grants and contributions	97,529	28,829	3,500	26,829
General revenues:				
Property taxes	201,147	193,799	-	-
Sales and use taxes	755,101	738,760	-	-
Other taxes, licenses and permits	61,470	75,035	-	-
Other	55,355	28,047	24,118	11,042
Total revenues	<u>1,394,315</u>	<u>1,322,266</u>	<u>602,270</u>	<u>591,965</u>
Expenses:				
General government	452,470	421,624	-	-
Public safety	375,981	425,072	-	-
Highways and streets	315,873	330,517	-	-
Health and welfare	10,916	8,842	-	-
Culture and recreation	16,597	21,876	-	-
Economic development	53,358	24,698	-	-
Interest expense	13,033	17,030	-	-
Water	-	-	422,426	523,497
Sewer	-	-	308,675	521,308
Total expenses	<u>1,238,228</u>	<u>1,249,659</u>	<u>731,101</u>	<u>1,044,805</u>
Transfers	-	-	-	-
Change in net position	156,087	72,607	(128,831)	(452,840)
Net position at beginning of year (restated)	<u>3,004,050</u>	<u>2,931,443</u>	<u>3,518,008</u>	<u>3,970,848</u>
Net position at end of year	<u>\$ 3,160,137</u>	<u>\$ 3,004,050</u>	<u>\$ 3,389,177</u>	<u>\$ 3,518,008</u>

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2016

As of June 30, 2016, none of the Town's funds have a deficit balance. The General Fund has a fund balance of \$282,279 which is a nine percent increase from prior year. Fund balance is equal to approximately six months of expenditures. During the year, the Town transferred \$150,000 from the Sales Tax Fund to the General Fund.

The Sales Tax Fund balance increased \$39,583 or three percent and represents approximately three and a half years of expenditures based on 2016 expenditures. Total revenues and expenditures increased only slightly.

Fund balances of the Street Fund, Economic Development Fund and Cemetery Fund decreased \$11,970 (12%), \$16,017 (7%), and \$2,279 (1%), respectively. Street Fund revenues and expenditures changed only slightly. Economic Development Fund's revenues and expenditures increased \$17,935 and \$28,660, respectively. The increases were due to a \$29,000 grant. Cemetery Fund expenditures increased \$6,676 primarily due to \$4,990 in mapping expenditures in the prior year and no such expenditures in the current year.

BUDGETARY HIGHLIGHTS

During the year, in the General Fund, there was a \$28,000 decrease in anticipated revenues. The decrease was due to decreases in anticipated taxes and fines, offset by an increase in grants. Anticipated expenditures decreased \$13,000.

During the year in the Sales Tax Fund, there was a \$17,000 increase in anticipated revenues and a \$5,000 decrease in budgeted expenditures. The increase in expenditures is due to a salary increase and correction of a negative amount in miscellaneous expense offset by a decrease in insurance expenditures.

Street Fund budgeted expenditures increased \$75,000 due to a street improvements project. Street Fund budget revenues increased \$23,000 due to a grant to assist with the project.

The Economic Development Fund budgeted revenues decreased \$13,000 due to an error reducing intergovernmental revenues. Budgeted expenditures were increased from \$18,000 to \$49,000 due to a grant funded project.

Budgeted revenues of the Cemetery Fund were not amended. Budgeted expenditures were reduced from \$47,000 to \$36,000 in error causing a budget variance of 15%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the Town's investment in capital assets for its governmental and business-type activities amounts to \$4,876,933 (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 \$112,196 included a police car, two tractors, a bush hog, a mower and a welcome sign. The Town disposed of two tractors, and a police vehicle for a total original cost of \$25,274.

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2016

Debt

At year end, the Town had a total of \$261,000 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 \$29,711 for compensated absences payable and \$1,431,968 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.

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, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,511,045	\$ 620,595	\$ 3,131,640
Receivables, net of allowance for uncollectibles	147,035	67,070	214,105
Inventories	-	9,150	9,150
Capital assets not being depreciated	68,270	10,756	79,026
Capital assets, net of accumulated depreciation	1,921,460	2,876,447	4,797,907
TOTAL ASSETS	4,647,810	3,584,018	8,231,828
DEFERRED OUTFLOWS			
Pension related	284,851	36,476	321,327
LIABILITIES			
Accounts payable	7,623	16,885	24,508
Payroll and related liabilities	23,083	1,510	24,593
Accrued liabilities	-	3,327	3,327
Accrued interest payable	396	-	396
Customer deposits payable	-	71,714	71,714
Due to others	100	-	100
Noncurrent liabilities:			
Due within one year	133,362	1,195	134,557
Due in more than one year	152,447	3,706	156,153
Net pension liability	1,303,968	128,000	1,431,968
TOTAL LIABILITIES	1,620,979	226,337	1,847,316
DEFERRED INFLOWS			
Pension related	151,545	4,980	156,525
NET POSITION			
Net investment in capital assets	1,728,730	2,887,203	4,615,933
Restricted net position	218,307	114,039	332,346
Unrestricted net position	1,213,100	387,935	1,601,035
TOTAL NET POSITION	\$ 3,160,137	\$ 3,389,177	\$ 6,549,314

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, 2016**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
Governmental activities:							
General government	\$ 452,470	\$ 143,348	\$ -	\$ -	\$ (309,122)		\$ (309,122)
Public safety	375,981	43,813	24,112	33,529	(274,527)		(274,527)
Highways and streets	315,873	12,440	-	35,000	(268,433)		(268,433)
Health and welfare	10,916	-	-	-	(10,916)		(10,916)
Culture and recreation	16,597	-	-	-	(16,597)		(16,597)
Economic development	53,358	-	-	29,000	(24,358)		(24,358)
Interest expense	13,033	-	-	-	(13,033)		(13,033)
Total governmental activities	<u>1,238,228</u>	<u>199,601</u>	<u>24,112</u>	<u>97,529</u>	<u>(916,986)</u>		<u>(916,986)</u>
Business-type activities:							
Water operations	422,426	352,815	-	3,500		\$ (66,111)	(66,111)
Sewer operations	308,675	221,837	-	-		(86,838)	(86,838)
Total business-type activities	<u>731,101</u>	<u>574,652</u>	<u>-</u>	<u>3,500</u>		<u>(152,949)</u>	<u>(152,949)</u>
Total primary government	<u>\$ 1,969,329</u>	<u>\$ 774,253</u>	<u>\$ 24,112</u>	<u>\$ 101,029</u>	<u>(916,986)</u>	<u>(152,949)</u>	<u>(1,069,935)</u>
General revenues:							
Property taxes					201,147	-	201,147
Sales and use taxes					755,101	-	755,101
Franchise taxes					61,470	-	61,470
Unrestricted investment earnings					20,375	1,762	22,137
Gain (loss) on sale of capital assets					5,324	-	5,324
Other					29,656	22,356	52,012
Total general revenues and transfers					<u>1,073,073</u>	<u>24,118</u>	<u>1,097,191</u>
Change in net position					156,087	(128,831)	27,256
Net position at beginning of year (restated)					3,004,050	3,518,008	6,522,058
Net position at end of year					<u>\$ 3,160,137</u>	<u>\$ 3,389,177</u>	<u>\$ 6,549,314</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, 2016**

	General	Sales Tax	Street	Economic Development	Debt Service	Cemetery	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 297,948	\$ 1,465,761	\$ 117,761	\$ 213,627	\$ -	\$ 330,946	\$ 2,426,043
Cash and cash equivalents - restricted	6,230	-	-	-	78,772	-	85,002
Receivables, net	19,992	127,043	-	-	-	-	147,035
Due from other funds	-	49,382	3,782	-	-	-	53,164
TOTAL ASSETS	<u>\$ 324,170</u>	<u>\$ 1,642,186</u>	<u>\$ 121,543</u>	<u>\$ 213,627</u>	<u>\$ 78,772</u>	<u>\$ 330,946</u>	<u>\$ 2,711,244</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,803	\$ 1,730	\$ 3,090	\$ -	\$ -	\$ -	\$ 7,623
Payroll and related liabilities	18,221	4,394	-	-	-	468	23,083
Accrued liabilities	-	-	-	-	396	-	396
Due to other funds	20,767	-	32,397	-	-	-	53,164
Due to others	100	-	-	-	-	-	100
Total liabilities	<u>41,891</u>	<u>6,124</u>	<u>35,487</u>	<u>-</u>	<u>396</u>	<u>468</u>	<u>84,366</u>
Deferred inflows:							
Unavailable revenues	-	63,628	-	-	-	-	63,628
Fund balances:							
Restricted fund balances	38,555	1,572,434	86,056	-	78,376	330,478	2,105,899
Committed fund balances	-	-	-	213,627	-	-	213,627
Unassigned	243,724	-	-	-	-	-	243,724
Total fund balances	<u>282,279</u>	<u>1,572,434</u>	<u>86,056</u>	<u>213,627</u>	<u>78,376</u>	<u>330,478</u>	<u>2,563,250</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 324,170</u>	<u>\$ 1,642,186</u>	<u>\$ 121,543</u>	<u>\$ 213,627</u>	<u>\$ 78,772</u>	<u>\$ 330,946</u>	<u>\$ 2,711,244</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, 2016**

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

Total fund balances	\$ 2,563,250
Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	1,989,730
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	63,628
Deferred outflows - pension related	284,851
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(261,000)
Compensated absences payable	(24,809)
Net pension liability	(1,303,968)
Deferred inflows - pension related	<u>(151,545)</u>
Net position of governmental activities	<u><u>\$ 3,160,137</u></u>

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General	Sales Tax	Street	Economic Development	Debt Service	Cemetery	Total Governmental Funds
Revenues:							
Taxes:							
Ad valorem	\$ 104,029	\$ -	\$ 69,462	\$ -	\$ -	\$ 27,656	\$ 201,147
Sales and use	-	756,162	-	-	-	-	756,162
Franchise	61,470	-	-	-	-	-	61,470
Intergovernmental:							
Federal funds	33,529	-	-	29,000	-	-	62,529
State funds:							
Supplemental pay	23,538	-	-	-	-	-	23,538
Local government assistance program	-	-	35,000	-	-	-	35,000
Other state funds	574	-	-	-	-	-	574
Licenses and permits	138,630	-	-	-	-	-	138,630
Charges for services	4,340	-	-	-	-	8,100	12,440
Fines	43,813	-	-	-	-	-	43,813
Lease income	4,718	-	-	-	-	-	4,718
Interest earned	21	15,608	654	842	-	3,250	20,375
Other revenues	9,865	2,222	-	-	-	40	12,127
Total revenues	<u>424,527</u>	<u>773,992</u>	<u>105,116</u>	<u>29,842</u>	<u>-</u>	<u>39,046</u>	<u>1,372,523</u>
Expenditures:							
Current:							
General government	171,434	267,941	565	-	-	305	440,245
Public safety	333,126	24,855	-	-	-	-	357,981
Highways and streets	-	93,281	76,227	-	-	41,020	210,528
Health and welfare	300	10,616	-	-	-	-	10,916
Culture and recreation	-	4,591	-	-	-	-	4,591
Economic development	-	-	-	45,859	-	-	45,859
Debt service - principal	-	-	-	-	123,000	-	123,000
Debt service - interest	-	-	-	-	13,033	-	13,033
Capital outlay	33,672	-	78,524	-	-	-	112,196
Total expenditures	<u>538,532</u>	<u>401,284</u>	<u>155,316</u>	<u>45,859</u>	<u>136,033</u>	<u>41,325</u>	<u>1,318,349</u>
Excess (deficiency) of revenues over expenditures	<u>(114,005)</u>	<u>372,708</u>	<u>(50,200)</u>	<u>(16,017)</u>	<u>(136,033)</u>	<u>(2,279)</u>	<u>54,174</u>
Other financing sources (uses):							
Transfers in	150,000	-	34,448	-	148,677	-	333,125
Transfers out	-	(333,125)	-	-	-	-	(333,125)
Sale of capital assets	2,560	-	3,782	-	-	-	6,342
Total other financing sources and uses	<u>152,560</u>	<u>(333,125)</u>	<u>38,230</u>	<u>-</u>	<u>148,677</u>	<u>-</u>	<u>6,342</u>
Net change in fund balances	38,555	39,583	(11,970)	(16,017)	12,644	(2,279)	60,516
Fund balances at beginning of year	243,724	1,532,851	98,026	229,644	65,732	332,757	2,502,734
Fund balances at end of year	\$ 282,279	\$ 1,572,434	\$ 86,056	\$ 213,627	\$ 78,376	\$ 330,478	\$ 2,563,250

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

**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, 2016**

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

Net change in fund balances - total governmental funds **\$ 60,516**

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	112,196
Depreciation expense	(144,496)
Loss on sale of capital assets	(1,018)

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	63,628
Amount deferred in prior year governmental balance sheet	(64,689)

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	123,000
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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	(1,076)
Change in net pension liability and deferred inflows and outflows	8,026

Change in net position of governmental activities	\$ 156,087
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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, 2016**

ASSETS	Water	Sewer	Total Proprietary Funds
Current assets:			
Cash and cash equivalents	\$ 395,429	\$ 142,623	\$ 538,052
Receivables, net	47,977	19,093	67,070
Inventories	9,150	-	9,150
Due from other funds	5,934	-	5,934
Total current assets	458,490	161,716	620,206
Noncurrent assets:			
Cash and cash equivalents - restricted	82,543	-	82,543
Capital assets, net	1,521,761	1,365,442	2,887,203
Total noncurrent assets	1,604,304	1,365,442	2,969,746
TOTAL ASSETS	2,062,794	1,527,158	3,589,952
DEFERRED OUTFLOWS			
Deferred outflows - pension related	18,238	18,238	36,476
LIABILITIES			
Current liabilities:			
Accounts payable	7,441	9,444	16,885
Due to other funds	-	5,934	5,934
Payroll and related liabilities	755	755	1,510
Accrued liabilities	1,661	1,666	3,327
Compensated absences payable - current	1,195	-	1,195
Customer deposits payable	71,714	-	71,714
Net pension liability	64,000	64,000	128,000
Total current liabilities	146,766	81,799	228,565
Noncurrent liabilities:			
Compensated absences payable	3,706	-	3,706
TOTAL LIABILITIES	150,472	81,799	232,271
DEFERRED INFLOWS			
Deferred inflows - pension related	2,490	2,490	4,980
NET POSITION			
Net investment in capital assets	1,521,761	1,365,442	2,887,203
Restricted net position	98,291	15,748	114,039
Unrestricted net position	308,018	79,917	387,935
TOTAL NET POSITION	\$ 1,928,070	\$ 1,461,107	\$ 3,389,177

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, 2016

	Water	Sewer	Total Proprietary Funds
Operating revenues:			
Charges for sales and services:			
Water and sewer fees	\$ 352,815	\$ 221,837	\$ 574,652
Other revenues	13,516	8,840	22,356
Total operating revenues	<u>366,331</u>	<u>230,677</u>	<u>597,008</u>
Operating expenses:			
Administration	315,800	252,417	568,217
Depreciation expense	106,626	56,258	162,884
Total operating expenses	<u>422,426</u>	<u>308,675</u>	<u>731,101</u>
Operating income (loss)	<u>(56,095)</u>	<u>(77,998)</u>	<u>(134,093)</u>
Nonoperating revenues (expenses):			
Intergovernmental revenues	3,500	-	3,500
Interest earned	1,547	215	1,762
Total nonoperating revenue (expenses)	<u>5,047</u>	<u>215</u>	<u>5,262</u>
Change in net position	(51,048)	(77,783)	(128,831)
Net position at beginning of year (restated)	<u>1,979,118</u>	<u>1,538,890</u>	<u>3,518,008</u>
Net position at end of year	<u>\$ 1,928,070</u>	<u>\$ 1,461,107</u>	<u>\$ 3,389,177</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, 2016**

	Water	Sewer	Total Proprietary Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 357,732	\$ 226,817	\$ 584,549
Payments to suppliers	(266,768)	(201,571)	(468,339)
Payments to employees	(57,255)	(58,334)	(115,589)
Net cash provided by operating activities	<u>33,709</u>	<u>(33,088)</u>	<u>621</u>
Cash flows from noncapital financing activities:			
Subsidy from grants	3,500	-	3,500
Net cash provided by noncapital and related financing activities	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Cash flows from capital and related financing activities:			
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest received	1,545	213	1,758
Net cash provided by investing activities	<u>1,545</u>	<u>213</u>	<u>1,758</u>
Net increase (decrease) in cash and cash equivalents	38,754	(32,875)	5,879
Cash and cash equivalents, beginning of year (including amounts in restricted accounts)	<u>439,218</u>	<u>175,498</u>	<u>614,716</u>
Cash and cash equivalents, end of year (including amounts in restricted accounts)	<u>\$ 477,972</u>	<u>\$ 142,623</u>	<u>\$ 620,595</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (56,095)	\$ (77,998)	\$ (134,093)
Adjustments to reconcile operating loss to cash provided by operating activities:			
Depreciation expense	106,626	56,258	162,884
(Increase) decrease in accounts receivable	(7,602)	(3,860)	(11,462)
Increase (decrease) in accounts payable	(962)	(285)	(1,247)
Increase (decrease) in payroll related liabilities	108	108	216
Increase (decrease) in compensated absences payable	(591)	(1,667)	(2,258)
Increase (decrease) in customer deposits	(997)	-	(997)
Increase (decrease) in accrued liabilities	532	1,666	2,198
Change in deferred outflows and infows	(19,154)	(19,154)	(38,308)
Increase (decrease) in net pension liability	11,844	11,844	23,688
Total adjustments	<u>89,804</u>	<u>44,910</u>	<u>134,714</u>
Net cash provided by operating activities	<u>\$ 33,709</u>	<u>\$ (33,088)</u>	<u>\$ 621</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, 2016

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, 2016.

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 (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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 (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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, 2016.

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, taxes of 18.27 mills were levied on property with assessed valuations totaling \$10,979,671, as follows:

General corporate purposes	9.42 mills
Street maintenance	6.33 mills
Cemetery	2.52 mills

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

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	\$ 922,800	8%	\$ 16,859
Wal-Mart Louisiana, LLC	777,186	7%	14,199
Regions Bank	600,260	5%	10,971
West Carroll Hospital	535,797	5%	9,790
Hibernia National Bank DBA: Capital One	262,296	2%	4,792
Bellsouth Telecommunications	234,178	2%	4,278
Guaranty Bank and Trust CO.	226,957	2%	4,146
Richland State Bank	191,086	2%	3,491
West Carroll Community Bank	187,457	2%	3,426
Carroll Nursing Home	169,335	2%	3,094
Totals	<u>\$ 4,107,352</u>	<u>37%</u>	<u>\$ 75,046</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 (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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 (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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 (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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 (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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 (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, the Town has cash and cash equivalents (book balances) totaling \$3,131,640 as follows:

Cash and cash equivalents:	
Demand deposits	\$ 715,033
Time deposits	2,248,199
Other	863
Total	<u>2,964,095</u>
Cash and cash equivalents – restricted:	
Demand deposits	104,286
Time deposits	63,259
Total	<u>167,545</u>
Total	<u><u>\$ 3,131,640</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, 2016, \$1,234,702 of the Town's bank balances of \$3,144,489 was exposed to custodial credit risk as follows:

Bank balances	<u><u>\$ 3,144,489</u></u>
Insured by FDIC	<u>\$ 1,909,787</u>
Uninsured and uncollateralized	-
Collateralized by pledged securities not in the Town's name	<u>1,234,702</u>
Total balances exposed to custodial credit risk	<u>1,234,702</u>
Total bank balances	<u><u>\$ 3,144,489</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3 – RECEIVABLES

The following is a summary of receivables at June 30, 2016:

	<u>General</u>	<u>Sales Tax</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:					
Taxes and licenses	\$ 10,812	\$ 127,043	\$ -	\$ -	\$ 137,855
Accounts	2,717	-	53,150	19,093	74,960
Intergovernmental	3,925	-	-	-	3,925
Other	2,538	-	-	-	2,538
Gross receivables	<u>19,992</u>	<u>127,043</u>	<u>53,150</u>	<u>19,093</u>	<u>219,278</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(5,173)</u>	<u>-</u>	<u>(5,173)</u>
Net total receivables	<u>\$ 19,992</u>	<u>\$ 127,043</u>	<u>\$ 47,977</u>	<u>\$ 19,093</u>	<u>\$ 214,105</u>

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2016, follows:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 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>-</u>	<u>68,270</u>
Capital assets being depreciated:					
Infrastructure	2,870,655	-	-	-	2,870,655
Buildings	399,237	-	-	-	399,237
Building improvements	201,993	-	-	-	201,993
Furniture and equipment	458,143	-	78,524	(20,774)	515,893
Other improvements	-	-	8,750	-	8,750
Vehicles	224,081	-	24,922	(4,500)	244,503
Total capital assets being depreciated	<u>4,154,109</u>	<u>-</u>	<u>112,196</u>	<u>(25,274)</u>	<u>4,241,031</u>
Less accumulated depreciation for:					
Infrastructure	1,103,545	-	78,751	-	1,182,296
Buildings	392,635	-	3,943	-	396,578
Building improvements	168,847	-	9,308	-	178,155
Furniture and equipment	337,192	-	35,777	(20,774)	352,195
Other Improvements	-	-	438	-	-
Vehicles	197,112	-	16,279	(3,482)	209,909
Total accumulated depreciation	<u>2,199,331</u>	<u>-</u>	<u>144,496</u>	<u>(24,256)</u>	<u>2,319,571</u>
Total capital assets being depreciated	<u>1,954,778</u>	<u>-</u>	<u>(32,300)</u>	<u>(1,018)</u>	<u>1,921,460</u>
Governmental activities, capital assets, net	<u>\$ 2,023,048</u>	<u>\$ -</u>	<u>\$ (32,300)</u>	<u>\$ (1,018)</u>	<u>\$ 1,989,730</u>

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities - Water:					
Capital assets not being depreciated:					
Land	\$ 10,756	\$ -	\$ -	\$ -	\$ 10,756
Total capital assets not being depreciated	10,756	-	-	-	10,756
Capital assets being depreciated:					
Infrastructure	3,959,114	-	-	-	3,959,114
Building improvements	27,954	-	-	-	27,954
Furniture and equipment	111,155	-	-	-	111,155
Vehicles	98,929	-	-	(6,000)	92,929
Total capital assets being depreciated	4,197,152	-	-	(6,000)	4,191,152
Less accumulated depreciation for:					
Infrastructure	2,259,051	122,309	94,345	-	2,475,705
Building improvements	16,613	-	2,076	-	18,689
Furniture and equipment	108,473	-	2,682	-	111,155
Vehicles	73,073	-	7,523	(6,000)	74,596
Total accumulated depreciation	2,457,210	122,309	106,626	(6,000)	2,680,145
Total capital assets being depreciated	1,739,942	(122,309)	(106,626)	-	1,511,007
Business-type activities - Water, capital assets, net	\$ 1,750,698	\$ (122,309)	\$ (106,626)	\$ -	\$ 1,521,763
Business-type activities - Sewer:					
Capital assets being depreciated:					
Infrastructure	\$ 2,154,861	\$ -	\$ -	\$ -	\$ 2,154,861
Buildings	1,815	-	-	-	1,815
Building improvements	3,472	-	-	-	3,472
Furniture and equipment	27,874	-	-	-	27,874
Total capital assets being depreciated	2,188,022	-	-	-	2,188,022
Less accumulated depreciation for:					
Infrastructure	712,715	24,346	54,342	-	791,403
Buildings	1,573	-	242	-	1,815
Building improvements	992	-	496	-	1,488
Furniture and equipment	26,696	-	1,180	-	27,876
Total accumulated depreciation	741,976	24,346	56,260	-	822,582
Total capital assets being depreciated	1,446,046	(24,346)	(56,260)	-	1,365,440
Business-type activities - Sewer, capital assets, net	\$ 1,446,046	\$ (24,346)	\$ (56,260)	\$ -	\$ 1,365,440

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities - total:					
Capital assets not being depreciated:					
Land	\$ 10,756	\$ -	\$ -	\$ -	\$ 10,756
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>10,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,756</u>
Capital assets being depreciated:					
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	98,929	-	-	(6,000)	92,929
Total capital assets being depreciated	<u>6,385,174</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>	<u>6,379,174</u>
Less accumulated depreciation for:					
Infrastructure	2,971,766	146,655	148,687	-	3,267,108
Buildings	1,573	-	242	-	1,815
Building improvements	17,605	-	2,572	-	20,177
Furniture and equipment	135,169	-	3,862	-	139,031
Vehicles	73,073	-	7,523	(6,000)	74,596
Total accumulated depreciation	<u>3,199,186</u>	<u>146,655</u>	<u>162,886</u>	<u>(6,000)</u>	<u>3,502,727</u>
Total capital assets being depreciated	<u>3,185,988</u>	<u>(146,655)</u>	<u>(162,886)</u>	<u>-</u>	<u>2,876,447</u>
Business-type activities - total, capital assets, net	<u>\$ 3,196,744</u>	<u>\$ (146,655)</u>	<u>\$ (162,886)</u>	<u>\$ -</u>	<u>\$ 2,887,203</u>

Depreciation expense was charged as follows:

Governmental activities:

General government	\$ 1,645
Public safety	18,000
Highways and streets	105,345
Culture and recreation	12,006
Economic development	7,500
Total	<u>\$ 144,496</u>

Business-type activities:

Water	\$ 106,626
Sewer	56,260
Total	<u>\$ 162,886</u>

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2016, were as follows:

		Transfers out
		Sales
		Tax
Transfers in	General	\$ 150,000
	Street	34,448
	Debt Service	148,677
	Total	\$ 333,125

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, 2016, 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.

\$ 261,000

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds payable	\$ 384,000	\$ -	\$ (123,000)	\$ 261,000	\$ 128,000
Compensated absences	23,733	17,266	(16,190)	24,809	5,362
Governmental activity long-term liabilities	<u>\$ 407,733</u>	<u>\$ 17,266</u>	<u>\$ (139,190)</u>	<u>\$ 285,809</u>	<u>\$ 133,362</u>
Business-type activities:					
Compensated absences	<u>\$ 5,095</u>	<u>\$ 3,789</u>	<u>\$ (3,982)</u>	<u>\$ 4,902</u>	<u>\$ 1,195</u>

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

	<u>Governmental Activities</u>	
	<u>General Obligation Principal</u>	<u>General Obligation Interest</u>
2017	\$ 128,000	\$ 7,269
2018	133,000	2,454
Totals	<u>\$ 261,000</u>	<u>\$ 9,723</u>

There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

Interest expense for governmental activities for the year ended June 30, 2016, totaled \$11,732.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

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, 2016, the Town of Oak Grove's total payroll for all employees was \$567,370. Total covered payroll was \$299,819. 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.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2016, the actual employer contribution rate was 9.50% 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.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

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, 2016 were \$28,483.

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

At June 30, 2016, the Town reported a liability of \$278,262 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015, the Town's proportion was 0.409423%, which was an increase of 0.039420% from its proportion measured as of June 30, 2014,

For the year ended June 30, 2016, the Town of Oak Grove recognized pension expense of \$41,730 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, and current year contributions, which was (\$35,085). Total pension expense for the Town of Oak Grove for the year ended June 30, 2016 was \$6,645.

At June 30, 2016, the Agency 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
Beginning Balance	\$(949)	\$28,302
Change in System deferred outflows and inflows of resources	67,221	(16,012)
Changes in proportionate share	(15,459)	(1,451)
Differences between employer contributions and proportionate share of employer contributions	-	(5)
Contributions after the measurement period	28,483	-
Total	\$79,296	\$10,834

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

The \$28,483 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, 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:	
2016	\$17,115
2017	17,115
2018	17,115
2019	17,115

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2015, is as follows:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.5%, net of investment expense
Projected salary increases	5.0% (2.875% inflation, 2.125% merit)
Mortality rates	RP-2000 Employee Table for active members (set back 2 years for males and females) RP-2000 Healthy Annuitant Table for healthy annuitants (set forward 2 years for males and 1 year for females) RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)
Expected remaining service lives	4 years for Plan B
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

Municipal 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 of 2.4% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return was 8.3% as of June 30, 2015. Best estimates of arithmetic real rates for each major asset class included in the System's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.95%
Public fixed income	15%	0.89%
Alternatives	35%	2.06%
Totals	100%	5.90%
Inflation		2.40%
Expected arithmetic nominal return		8.30%

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 employee contributions will be made at the current contribution rate 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 Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

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	\$375,399	\$278,262	\$195,526

Plan Fiduciary Net Position

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

Municipal Police Employees' Retirement System of Louisiana (System)

Plan Description

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

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

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

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

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

Hazardous Duty

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

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

Non-Hazardous Duty

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

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

For the year ended June 30, 2016, the Town of Oak Grove's total payroll for all employees was \$567,370. Total covered payroll was \$161,684. Covered payroll refers to all compensation paid by the Town of Oak Grove to active employees covered by the Plan.

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

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2016, the actual employer contribution rate was 29.50%, 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, 2016 were \$48,559.

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

At June 30, 2016, the Employer reported a liability of \$540,088 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015, 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, 2015, the Town's proportion was 0.068942%, which was an increase of 0.013748% from its proportion measured as of June 30, 2014.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

For the year ended June 30, 2016, the Town of Oak Grove recognized pension expense of \$46,947 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, and current year contributions, which was (\$41,039). Total pension expense for the Town of Oak Grove for the year ended June 30, 2016 was \$5,908.

At June 30, 2016, the Agency 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
Beginning Balance	\$6,059	\$141,895
Change in System deferred outflows and inflows of resources	47,127	(64,047)
Changes in proportionate share	80,256	(19,196)
Differences between employer contributions and proportionate share of employer contributions	-	108
Contributions after the measurement period	48,559	-
Total	\$182,001	\$58,759

The \$48,559 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:	
2016	\$30,811
2017	30,811
2018	30,811
2019	30,811

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

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, 2015, as follows:

Valuation Date	June 30, 2015	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Investment Rate of Return	7.5%, net of investment expense	
Inflation rate	2.875%	
Mortality	Mortality assumptions were based on an experience study for the period July 1, 2010-June 30, 2014. The RP-200 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) were selected for annuitant and beneficiary mortality. For employees, the RP-2000 Employee table setback 4 years for males and set back 3 years for females were selected for disabled annuitants.	
Projected salary increases	Years of service	Salary growth rate
	1-2	9.75%
	2-23	4.75%
	Above 23	4.25%
Expected remaining service lives	4 years	

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

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, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	52%	3.47%
Fixed income	20%	0.46%
Alternatives	23%	1.15%
Other	5%	0.20%
Totals	100%	5.28%
Inflation		3.00%
Expected arithmetic nominal return		8.28%

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 employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

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	\$750,934	\$540,088	\$363,404

Plan Fiduciary Net Position

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

NOTE 8 – ON-BEHALF PAYMENTS

Certain employees in the Town's police department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$23,538. The related expenditures of \$23,538 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, 2016, the Town was involved in two lawsuits. Legal counsel estimates any liability will be immaterial to the Town's financial statements.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 11 – SUBSEQUENT EVENTS

In December 2016, the Town settled one of the lawsuits referred to in Note 9. The loss was covered by insurance. 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. Management has evaluated subsequent events through December 27, 2016, the date on which the financial statements were available to be released.

NOTE 12 – STEWARDSHIP

For the year ended June 30, 2016, 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	\$520,000	\$ 510,000	\$ 516,377	\$ 6,377
Sales Tax	589,000	713,000	734,409	21,409
Cemetery	47,000	36,000	41,325	5,325

NOTE 13 – NEW ACCOUNTING STANDARDS

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, was effective for these financial statements (reporting periods beginning after June 15, 2015). The Statement did not affect these financial statements.

GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015, was effective for these financial statements (reporting periods beginning after June 15, 2015). This Statement has been implemented.

GASB 79, *Certain External Investment Pools and Pool Participants*, issued December 2015, was effective for these financial statements (reporting periods beginning after June 15, 2015 with some exceptions). This Statement did not affect these financial statements.

GASB has also issued the following statements:

1. GASB 73 – June 2015 - *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* – Effective for fiscal years beginning after June 15, 2016.
2. GASB 74 – June 2015 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – Effective for fiscal years beginning after June 15, 2016
3. GASB 75 – June 2015 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – Effective for fiscal years beginning after June 15, 2017.
4. GASB 77 – August 2015 - *Tax Abatement Disclosures* – Effective for reporting periods beginning after December 15, 2015.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

NOTE 13 – NEW ACCOUNTING STANDARDS (CONTINUED)

5. GASB 78 – December 2015 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – Effective for reporting periods beginning after December 15, 2015.
6. GASB 80 – January 2016 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* – Effective for periods beginning after June 15, 2016.
7. GASB 81 – March 2016 – *Irrevocable Split-Interest Agreements* – Effective for periods beginning after December 15, 2016.
8. GASB 82 – March 2016 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* – Effective for 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.

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

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

As of July 1, 2014, the Town of Oak Grove, Louisiana, implemented GASB Statement 68, *Accounting and Financial Reporting for Pension - Amendment of GASB Statement 27*, which resulted in a cumulative change in accounting principle and a restatement of net position. Errors were made during the GASB 68 calculation in the prior year. The net effect of the restatement to correct this error will be to decrease the net position by \$578,378. In the year of implementation, the adjustments were made to the governmental activities financial statements. Allocating the liability and related items to governmental and business-type activities requires an adjustment to decrease beginning net position of business-type activities \$111,128. Allocations are made based on contributions to the plans.

During the year ended June 30, 2016, it was discovered that the depreciation software did not fully depreciate certain capital assets. An adjustment was recorded in the Water and Sewer Funds to reduce net position by \$122,309 and \$24,346, respectively. Therefore, beginning net position for business-type activities was reduced by \$146,655.

Additionally, during the year, it was discovered that amounts billed to water customers for the safe drinking fee, were posted to a liability account but payments to remit those fees in prior years have been expenses. To correct the liability, an adjustment was made to increase beginning net position of the water fund for \$15,245.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

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

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 208,000	\$ 159,000	\$ 165,499	\$ 6,499
Intergovernmental revenues	(7,000)	25,000	29,341	4,341
Licenses and permits	142,000	152,000	138,630	(13,370)
Charges for services	2,000	5,000	4,340	(660)
Fines	82,000	46,000	43,813	(2,187)
Lease income	-	5,000	4,718	(282)
Interest earned	1,000	-	21	21
Other revenues	7,000	15,000	9,781	(5,219)
Total revenues	<u>435,000</u>	<u>407,000</u>	<u>396,143</u>	<u>(10,857)</u>
Expenditures:				
Current:				
General government	181,000	176,000	164,666	11,334
Public safety	339,000	330,000	333,126	(3,126)
Health and welfare	-	-	300	(300)
Capital outlay	-	1,000	8,750	(7,750)
Total expenditures	<u>520,000</u>	<u>507,000</u>	<u>506,842</u>	<u>158</u>
Excess (deficiency) of revenues over expenditures	<u>(85,000)</u>	<u>(100,000)</u>	<u>(110,699)</u>	<u>(10,699)</u>
Other financing sources (uses):				
Transfers in	84,000	149,000	150,000	1,000
Transfers out	-	(3,000)	(9,535)	(6,535)
Proceeds from sale of capital assets	-	6,000	2,560	(3,440)
Total other financing sources (uses)	<u>84,000</u>	<u>152,000</u>	<u>143,025</u>	<u>(8,975)</u>
Net change in fund balances	(1,000)	52,000	32,326	(19,674)
Fund balances at beginning of year	217,864	243,725	243,724	(1)
Fund balances at end of year	<u>\$ 216,864</u>	<u>\$ 295,725</u>	<u>276,050</u>	<u>\$ (19,675)</u>
USDA Fund:				
Revenues			28,384	
Expenditures			(31,690)	
Operating transfers in			<u>9,535</u>	
Fund balance per Statement of Revenues, Expenditures, and Changes in Fund Balance			<u>\$ 282,279</u>	
	519,000	562,000	548,703	(13,297)

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, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 732,000	\$ 734,000	\$ 756,162	\$ 22,162
Interest earned	2,000	14,000	15,608	1,608
Other revenues	-	3,000	2,222	(778)
Total revenues	<u>734,000</u>	<u>751,000</u>	<u>773,992</u>	<u>22,992</u>
Expenditures:				
Current:				
General government	242,000	267,000	267,941	(941)
Public safety	30,000	25,000	24,855	145
Highways and streets	110,000	91,000	93,281	(2,281)
Health and welfare	10,000	13,000	10,616	2,384
Culture and recreation	4,000	4,000	4,591	(591)
Capital outlay	-	1,000	-	1,000
Total expenditures	<u>396,000</u>	<u>401,000</u>	<u>401,284</u>	<u>(284)</u>
Excess (deficiency) of revenues over expenditures	<u>338,000</u>	<u>350,000</u>	<u>372,708</u>	<u>22,708</u>
Other financing sources:				
Transfers out	<u>(193,000)</u>	<u>(312,000)</u>	<u>(333,125)</u>	<u>(21,125)</u>
Net change in fund balances	145,000	38,000	39,583	1,583
Fund balances at beginning of year	<u>1,408,506</u>	<u>1,532,851</u>	<u>1,532,851</u>	-
Fund balances at end of year	<u>\$ 1,553,506</u>	<u>\$ 1,570,851</u>	<u>\$ 1,572,434</u>	<u>\$ 1,583</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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 78,000	\$ 70,000	\$ 69,462	\$ (538)
Intergovernmental revenues	5,000.00	35,000	35,000	-
Interest earned	-	1,000	654	(346)
Total revenues	<u>83,000</u>	<u>106,000</u>	<u>105,116</u>	<u>(884)</u>
Expenditures:				
Current:				
General government	1,000	1,000	565	435
Highways and streets	76,000	74,000	76,227	(2,227)
Capital outlay	2,000	79,000	78,524	476
Total expenditures	<u>79,000</u>	<u>154,000</u>	<u>155,316</u>	<u>(1,316)</u>
Excess (deficiency) of revenues over expenditures	<u>4,000</u>	<u>(48,000)</u>	<u>(50,200)</u>	<u>(2,200)</u>
Other financing sources:				
Transfers in	-	-	34,448	34,448
Proceeds from sale of capital assets	-	-	3,782	(3,782)
Total other financing sources	<u>-</u>	<u>-</u>	<u>38,230</u>	<u>38,230</u>
Net change in fund balances	4,000	(48,000)	(11,970)	36,030
Fund balances at beginning of year	<u>60,471</u>	<u>98,026</u>	<u>98,026</u>	<u>-</u>
Fund balances at end of year	<u>\$ 64,471</u>	<u>\$ 50,026</u>	<u>\$ 86,056</u>	<u>\$ 36,030</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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 13,000	\$ -	\$ 29,000	\$ 29,000
Interest earned	1,000	1,000	842	(158)
Total revenues	<u>14,000</u>	<u>1,000</u>	<u>29,842</u>	<u>28,842</u>
Expenditures:				
Current:				
Economic development	<u>18,000</u>	<u>49,000</u>	<u>45,859</u>	<u>3,141</u>
Excess (deficiency) of revenues over expenditures	<u>(4,000)</u>	<u>(48,000)</u>	<u>(16,017)</u>	<u>31,983</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>29,000</u>	<u>-</u>	<u>(29,000)</u>
Net change in fund balances	(4,000)	(19,000)	(16,017)	2,983
Fund balances at beginning of year	<u>225,730</u>	<u>229,644</u>	<u>229,644</u>	<u>-</u>
Fund balances at end of year	<u>\$ 221,730</u>	<u>\$ 210,644</u>	<u>\$ 213,627</u>	<u>\$ 2,983</u>

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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 31,000	\$ 28,000	\$ 27,656	\$ (344)
Charges for services	6,000	6,000	8,100	2,100
Interest earned	2,500	5,000	3,250	(1,750)
Other revenues	-	-	40	40
Total revenues	<u>39,500</u>	<u>39,000</u>	<u>39,046</u>	<u>46</u>
Expenditures:				
Current:				
General government	-	-	305	305
Highways and streets	47,000	36,000	41,020	5,020
Total expenditures	<u>47,000</u>	<u>36,000</u>	<u>41,325</u>	<u>5,325</u>
Net change in fund balances	(7,500)	3,000	(2,279)	(5,279)
Fund balances at beginning of year	<u>354,075</u>	<u>332,757</u>	<u>332,757</u>	<u>-</u>
Fund balances at end of year	<u>\$ 346,575</u>	<u>\$ 335,757</u>	<u>\$ 330,478</u>	<u>\$ (5,279)</u>

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

TOWN OF OAK GROVE
Schedule of Employer's Share of Net Pension Liability - MPERS
For the year ended June 30, 2016

	2015 2016	2014 2015
Employer's proportion of the net pension liability (asset)	0.068942%	0.055194%
Employer's proportionate share of the net pension liability (asset)	\$ 540,089	\$ 345,298
Employer's covered employee payroll	\$ 183,666	\$ 172,519
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	294.06%	200.15%
Plan fiduciary net pension as a percentage of the total pension liability	70.73%	75.10%

TOWN OF OAK GROVE
Schedule of Employer's Share of Net Pension Liability - MERS
For the year ended June 30, 2016

	2015 2016	2014 2015
Employer's proportion of the net pension liability (asset)	0.409423%	0.448843%
Employer's proportionate share of the net pension liability (asset)	278,263	210,730
Employer's covered employee payroll	284,084	290,787
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	97.95%	72.47%
Plan fiduciary net pension as a percentage of the total pension liability	66.18%	73.99%

TOWN OF OAK GROVE
Schedule of Employer Contributions - MPERS
For the year ended June 30, 2016

	2016	2015
Contractually required contribution	\$ 48,559	\$ 57,992
Contributions in relation to contractually required contribution	\$ 48,559	\$ 57,992
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered employee payroll	\$ 161,684	\$ 183,666
Contributions as a percentage of covered employee payroll	30.03%	31.57%

TOWN OF OAK GROVE
Schedule of Employer Contributions - MERS
For the year ended June 30, 2016

	2016	2015
Contractually required contribution	\$ 28,483	\$ 26,988
Contributions in relation to contractually required contribution	\$ 28,483	\$ 26,988
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered employee payroll	\$ 299,819	\$ 284,084

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, 2016**

Adam T. Holland, Mayor:	
Salary	\$ 18,000
Benefits	1,377
Reimbursements:	
Insurance	6,121
Conference registrations and travel expenses	1,128
Convention and travel paid to third parties	<u>1,177</u>
Total	<u>\$ 27,803</u>

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

**SCHEDULE OF COMPENSATION TO TOWN COUNCIL
FOR THE YEAR ENDED JUNE 30, 2016**

Noel Haynes, Mayor Pro Tem	\$ 1,800
Todd Nevels	1,250
James E. Philley	1,200
Cherry P. Rye	1,200
Garland C. Walker	1,200
Total	<u>\$ 6,650</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, 2016, 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 27, 2016.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses (F-2016-001, F-2016-002, F-2016-003).

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, 2016

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 as items F-2016-001 and F-2016-002.

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



Oak Grove, Louisiana
December 27, 2016

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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. Three material weaknesses 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. Two 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.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Current Year

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

Criteria

The Louisiana Local Government Budget Act includes the following requirements:

1. Public participation in the process – published notice that the budget is available for public inspection and published notice of a public hearing on the proposed budget
2. Amendment of the budget when projected amounts vary unfavorably by more than five percent from budgeted amounts

Condition

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

1. The Town published notice of a public hearing on the budget but the notice did not indicate that the budget was available for inspection.
2. Actual expenditures and other uses of the Cemetery Fund exceeded budgeted amounts by \$5,325 or fifteen percent.

Cause

Internal control policies and procedures did not prevent noncompliance. An error was made in amending the budget.

Effect

The Town appears to have violated the Act. Over expenditure could have been detrimental to the Fund's financial condition.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

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.

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

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. All councilmen received at least \$1,200 (\$100 per month) for the year ended June 30, 2016. The Mayor Pro Tem received \$1,800 (\$150 per month) One councilman received \$1,250. The Mayor Pro Tem missed one regular meeting. One councilman missed two regular meetings. We noted no provision in the Charter for a different amount for the Mayor Pro Tem.
2. Amendments to the budget were approved at open meetings but not by ordinance.
3. Pay raises given after the original budget was adopted and before an amendment was adopted appear to violate the Town's Charter.

Cause

Internal control policies and procedures did not prevent noncompliance.

Effect

The Council and management appear to have violated the Charter.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

SCHEDULE OF FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

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.

2016-003 Payment of Police Tickets not Traceable to Deposits

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 two out of six police tickets to a bank deposit. Deposit slips do not include a list of items being deposited. There is a log book of receipts that we used to attempt to recreate the deposit list. We were unable to sum any group of items that exactly matched a deposit with these two receipts included.

Cause

Internal control policies and procedures did not ensure an audit trail was created. The process changed during turnover of employees.

Effect

Receipts could be stolen or misclassified in the accounting records and thus the financial statements.

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 they should.

Management's Response

See management's corrective action plan.

Prior Year

No findings were reported.

ADAM T. HOLLAND
MAYOR

NOEL HAYNES
MAYOR PRO TEM

MELLISSA CORLEY
SECRETARY - TREASURER

JOHN M. LANCASTER
ATTORNEY



TOWN OF OAK GROVE
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(318) 428-3275 , FAX (318) 428-4556

TOWN
COUNCIL

TODD NEVELS

JAMES PHILLEY

CHERRY RYE

GARLAND WALKER

December 27, 2016

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

In response to the findings in our 2016 audit, we wish to advise you that the Town of Oak Grove has taken the following steps to correct the findings:

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

- 1. The Town published notice of a public hearing on the budget but the notice did not indicate that 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.

- 2. Actual expenditures and other uses of the Cemetery Fund exceeded budgeted amounts by \$5,325 or fifteen percent.**

Corrections have been made to insure that all expense accounts are coded properly so that all expensed can be tracked and therefore, budgeted properly.

2016-002 Failure to comply with the Town's Charter

- 1. All councilmen received at least \$1,200 (\$100 per month) for the year ended June 30, 2016. The Mayor Pro Tem received \$1,800(\$150 per month) one councilman received \$1,250. The Mayor Pro Tem missed one regular meeting. One councilman missed two regular meetings. We noted no provision in the Charter for a different amount for the Mayor Pro Tem.**

Beginning immediately, all councilmen will receive \$100 per month and will be paid only if they are in attendance at the meeting. Council Members will be paid the Friday following the regular

The Town of Oak Grove is an Equal Opportunity Provider



council meeting to insure that they were in attendance. The Mayor Pro Tem will no longer be paid more. The overpayment to the councilman has been noted and the amount of overpayment will be deducted from his next paycheck.

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

The council will discuss amending the charter to allow amendments to the budget to be approved at an open meeting instead of by ordinance.

3. Pay raises given after the original budget was adopted and before an amendment was adopted appear to violate the Town's Charter.

In the future, pay raises will be included in the original budget or will not be given until approved in an amendment to the budget.

2016-003 Payment of Police Tickets not Traceable to Deposits

- 1. We were unable to trace two out of six police tickets to a bank deposit. Deposit slips do not include a list of items being deposited. There is a log book of receipts that we used to attempt to recreate the deposit list. We were unable to sum any group of items that exactly matched a deposit with these two receipts included.**

Deposit slips are now more specific and include a list of the items deposited. Any amount that is not directly from a police ticket is deposited and logged separately so that there is a record of each payment received and the source in which it came from.

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

Sincerely,



Adam T. Holland, Mayor