

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR
ENDED JUNE 30, 2019**

**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, 2019, and the related notes to the financial statements, which collectively comprise the Town of Oak Grove, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Oak Grove, as of June 30, 2019, 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 52-56), the schedules of employer's share of net pension liability (page 57), and the schedules of contributions to pension plans (page 58) 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'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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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; the Schedule of Compensation to Town Council; and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Town of Oak Grove
Independent Auditor's Report
June 30, 2019

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the Town of Oak Grove'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's internal control over financial reporting and compliance.

BOSCH & STATHAM, LLC



Ruston, Louisiana
December 19, 2019

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2019

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, 2019. 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, 2019

THE TOWN AS A WHOLE

At June 30, 2019, net position was as follows:

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Current and other assets	\$ 2,953,724	\$ 2,692,925	\$ 331,728	\$ 586,976
Capital assets, net	2,128,978	1,948,596	3,907,246	3,236,432
Total assets	5,082,702	4,641,521	4,238,974	3,823,408
Deferred outflows	489,103	394,508	56,718	53,752
Liabilities:				
Current	284,906	127,479	122,794	498,459
Long-term	1,018,406	959,186	688,451	212,586
Total liabilities	1,303,312	1,086,665	811,245	711,045
Deferred inflows	68,427	52,430	6,754	4,580
Net position:				
Net investment in capital assets	2,128,978	1,948,596	3,347,033	2,598,102
Restricted	94,661	717,712	84,670	84,670
Unrestricted	1,976,427	1,230,627	45,990	478,763
Total net position	\$ 4,200,066	\$ 3,896,935	\$ 3,477,693	\$ 3,161,535

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2019

Net position of the Town's governmental activities increased eight percent during the year ended June 30, 2019. Unrestricted net position, the part that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased 61 percent.

Net position of the business-type activities increased from \$3,161,535 to \$3,477,693 or 10 percent.

For the year ended June 30, 2019, net position changed as follows:

CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Program revenues:				
Charges for services	\$ 215,334	\$ 207,727	\$ 719,668	\$ 610,713
Operating grants and contributions	42,136	43,730	-	-
Capital grants and contributions	313,194	74,081	460,646	155,963
General revenues:				
Property taxes	232,360	214,439	-	-
Sales and use taxes	732,805	678,970	-	-
Other taxes, licenses and permits	61,020	65,413	-	-
Other	65,873	67,307	11,824	20,643
Total revenues	<u>1,662,722</u>	<u>1,351,667</u>	<u>1,192,138</u>	<u>787,319</u>
Expenses:				
General government	533,652	535,897	-	-
Public safety	489,454	482,306	-	-
Highways and streets	305,114	317,587	-	-
Health and welfare	19,773	4,343	-	-
Culture and recreation	14,688	10,396	-	-
Economic development	14,408	45,554	-	-
Cemeteries	47,750	49,120	-	-
Interest expense	-	3,288	3,294	-
Water	-	-	421,442	434,070
Sewer	-	-	385,996	380,836
Total expenses	<u>1,424,839</u>	<u>1,448,491</u>	<u>810,732</u>	<u>814,906</u>
Change in net position	303,131	(96,824)	316,158	(27,587)
Net position at beginning of year	<u>3,896,935</u>	<u>3,993,759</u>	<u>3,161,535</u>	<u>3,189,122</u>
Net position at end of year	<u>\$ 4,200,066</u>	<u>\$ 3,896,935</u>	<u>\$ 3,477,693</u>	<u>\$ 3,161,535</u>

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2019

As of June 30, 2019, none of the Town's funds have a deficit balance. The General Fund has a fund balance of \$234,769 which is a \$1,057 increase from prior year. Fund balance is equal to approximately five months of expenditures. During the year, the Town transferred \$190,000 from the Sales Tax Fund to the General Fund.

The Sales Tax Fund balance increased \$118,813 or seven percent and represents approximately three years of expenditures based on 2019 expenditures. Total revenues decreased while expenditures increased.

Fund balance of the Street Fund increased \$7,931 (18%) and Cemetery Fund decreased \$9,100 (3%). Street Fund revenues increased slightly, while expenditures decreased by nearly \$20,000. Cemetery Fund revenues increased only slightly and expenditures decreased approximately \$10,000. Fund balance of the Economic Development Fund decreased \$3,396, or 1%.

BUDGETARY HIGHLIGHTS

During the year, in the General Fund, there was a \$1,061,000 increase in anticipated revenues, due to intergovernmental revenues for grant projects. Anticipated expenditures increased \$101,000.

During the year in the Sales Tax Fund, there was a \$7,000 increase in anticipated revenues and a \$90,500 increase in budgeted expenditures.

Street Fund budgeted revenues increased by \$15,000 and expenditures increased \$1,000.

The Economic Development Fund budgeted revenues increased \$7,000 and expenditures increased \$13,000.

The Cemetery Fund budgeted revenues did not change and expenditures decreased \$1,750.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the Town's investment in capital assets for its governmental and business-type activities amounts to \$6,036,224 (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 \$289,240 included completion of the LA Recreational Trail Program, and water system improvements. The Town did not dispose of any assets for the year ended June 30, 2019.

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2019

Debt

At year end, the Town had a total of \$560,216 in taxable sewer revenue bonds, Series 2017, outstanding. The bonds bear interest at 0.45% and are due to mature in 2037.

In addition, the Town had a total liability of \$50,707 for compensated absences payable and \$1,122,986 for net pension liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town of Oak Grove is located in a depressed area of the state. The Town's revenues are derived mainly from a special sale and use tax, property tax assessments, and fees for services. The Town intends to use monies from various grants to make necessary repairs and upgrades to the town's water and sewer systems.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk, Mrs. Mellissa Corley.

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,351,569	\$ 236,659	\$ 2,588,228
Cash and cash equivalents - restricted	42,455	86,380	128,835
Receivables, net of allowance for uncollectibles	438,959	120,280	559,239
Internal balances	120,741	(120,741)	-
Inventories	-	9,150	9,150
Capital assets not being depreciated	367,142	1,151,593	1,518,735
Capital assets, net of accumulated depreciation	1,761,836	2,755,653	4,517,489
TOTAL ASSETS	5,082,702	4,238,974	9,321,676
DEFERRED OUTFLOWS			
Pension related	489,103	56,718	545,821
LIABILITIES			
Accounts payable	258,161	17,214	275,375
Payroll and related liabilities	26,645	5,142	31,787
Accrued liabilities	-	3,271	3,271
Customer deposits payable	-	70,115	70,115
Due to others	100	-	100
Noncurrent liabilities:			
Due within one year	8,442	27,052	35,494
Due in more than one year	33,362	542,067	575,429
Net pension liability	976,602	146,384	1,122,986
TOTAL LIABILITIES	1,303,312	811,245	2,114,557
DEFERRED INFLOWS			
Pension related	68,427	6,754	75,181
NET POSITION			
Net investment in capital assets	2,128,978	3,347,033	5,476,011
Restricted for:			
Street maintenance	62,920	-	62,920
Debt service	11,741	-	11,741
Public safety	20,000	-	20,000
Utilities	-	84,670	84,670
Unrestricted net position	1,976,427	45,990	2,022,417
TOTAL NET POSITION	\$ 4,200,066	\$ 3,477,693	\$ 7,677,759

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, 2019**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 533,652	\$ 168,398	\$ -	\$ -	\$ (365,254)		\$ (365,254)
Public safety	489,454	38,826	42,136	-	(408,492)		(408,492)
Highways and streets	305,114	4,135	-	-	(300,979)		(300,979)
Cemeteries	47,750	3,975	-	-	(43,775)		(43,775)
Health and welfare	19,773	-	-	246,558	226,785		226,785
Culture and recreation	14,688	-	-	66,636	51,948		51,948
Economic development	14,408	-	-	-	(14,408)		(14,408)
Total governmental activities	<u>1,424,839</u>	<u>215,334</u>	<u>42,136</u>	<u>313,194</u>	<u>(854,175)</u>		<u>(854,175)</u>
Business-type activities:							
Water operations	421,442	414,641	-	460,646		\$ 453,845	453,845
Sewer operations	385,996	305,027	-	-		(80,969)	(80,969)
Interest expense on sewer debt	3,294	-	-	-		(3,294)	(3,294)
Total business-type activities	<u>810,732</u>	<u>719,668</u>	<u>-</u>	<u>460,646</u>		<u>369,582</u>	<u>369,582</u>
Total primary government	<u>\$ 2,235,571</u>	<u>\$ 935,002</u>	<u>\$ 42,136</u>	<u>\$ 773,840</u>	<u>(854,175)</u>	<u>369,582</u>	<u>(484,593)</u>
General revenues:							
Property taxes					232,360	-	232,360
Sales and use taxes					732,805	-	732,805
Franchise taxes					61,020	-	61,020
Unrestricted investment earnings					22,839	1,547	24,386
Other					43,034	10,277	53,311
Transfers					65,248	(65,248)	-
Total general revenues and transfers					<u>1,157,306</u>	<u>(53,424)</u>	<u>1,103,882</u>
Change in net position					<u>303,131</u>	<u>316,158</u>	<u>619,289</u>
Net position at beginning of year					<u>3,896,935</u>	<u>3,161,535</u>	<u>7,058,470</u>
Net position at end of year					<u>\$ 4,200,066</u>	<u>\$ 3,477,693</u>	<u>\$ 7,677,759</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, 2019**

	General	Sales Tax	Street	Economic Development	Cemetery	Debt Service	LCDBG	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 235,782	\$ 1,415,252	\$ 84,868	\$ 306,485	\$ 309,182	\$ -	\$ -	\$ 2,351,569
Cash and cash equivalents - restricted	30,715	-	-	-	-	11,741	-	42,456
Receivables, net	7,814	184,587	-	-	-	-	246,558	438,959
Due from other funds	14,238	176,766	10,358	-	-	-	-	201,362
TOTAL ASSETS	<u>\$ 288,549</u>	<u>\$ 1,776,605</u>	<u>\$ 95,226</u>	<u>\$ 306,485</u>	<u>\$ 309,182</u>	<u>\$ 11,741</u>	<u>\$ 246,558</u>	<u>\$ 3,034,346</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 3,205	\$ 6,747	\$ 1,262	\$ -	\$ 389	\$ -	\$ 246,558	\$ 258,161
Payroll and related liabilities	23,551	2,674	-	-	421	-	-	26,646
Due to other funds	26,924	-	41,759	-	11,938	-	-	80,621
Due to others	100	-	-	-	-	-	-	100
Total liabilities	<u>53,780</u>	<u>9,421</u>	<u>43,021</u>	<u>-</u>	<u>12,748</u>	<u>-</u>	<u>246,558</u>	<u>365,528</u>
Deferred inflows:								
Unavailable revenues	<u>-</u>	<u>53,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,700</u>
Fund balances:								
Restricted fund balances	30,715	1,713,484	52,205	-	296,434	11,741	-	2,104,579
Committed fund balances	-	-	-	306,485	-	-	-	306,485
Unassigned	204,054	-	-	-	-	-	-	204,054
Total fund balances	<u>234,769</u>	<u>1,713,484</u>	<u>52,205</u>	<u>306,485</u>	<u>296,434</u>	<u>11,741</u>	<u>-</u>	<u>2,615,118</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 288,549</u>	<u>\$ 1,776,605</u>	<u>\$ 95,226</u>	<u>\$ 306,485</u>	<u>\$ 309,182</u>	<u>\$ 11,741</u>	<u>\$ 246,558</u>	<u>\$ 3,034,346</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, 2019**

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

Total fund balances	\$ 2,615,118
Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	2,128,978
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	53,700
Deferred outflows - pension related	489,103
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(41,804)
Net pension liability	(976,602)
Deferred inflows - pension related	<u>(68,427)</u>
Net position of governmental activities	<u><u>\$ 4,200,066</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, 2019**

	General	Sales Tax	Street	Economic Development	Cemetery	Debt Service	LCDBG	Total Governmental Funds
Revenues:								
Taxes:								
Ad valorem	\$ 119,793	\$ -	\$ 80,502	\$ -	\$ 32,065	\$ -	\$ -	\$ 232,360
Sales and use	-	743,748	-	-	-	-	-	743,748
Franchise	61,020	-	-	-	-	-	-	61,020
Intergovernmental:								
Federal funds	1,395	66,636	-	-	-	-	246,558	314,589
State funds:								
Supplemental pay	40,741	-	-	-	-	-	-	40,741
Licenses and permits	148,861	-	-	-	-	-	-	148,861
Charges for services	4,135	-	-	-	3,975	-	-	8,110
Fines	38,826	-	-	-	-	-	-	38,826
Lease income	13,537	-	-	6,000	-	-	-	19,537
Interest earned	2,516	13,900	584	2,756	3,083	-	-	22,839
Other revenues	3,716	3,903	1	2,256	188	-	-	10,064
Total revenues	<u>434,540</u>	<u>828,187</u>	<u>81,087</u>	<u>11,012</u>	<u>39,311</u>	<u>-</u>	<u>246,558</u>	<u>1,640,695</u>
Expenditures:								
Current:								
General government	174,885	338,834	1,234	-	661	991	-	516,605
Public safety	446,400	24,855	-	-	-	-	-	471,255
Highways and streets	-	112,584	86,922	-	-	-	-	199,506
Cemeteries	-	-	-	-	47,750	-	-	47,750
Health and welfare	1,092	5,747	-	-	-	-	12,934	19,773
Culture and recreation	1,106	5,155	-	-	-	-	-	6,261
Economic development	-	-	-	14,408	-	-	-	14,408
Capital outlay	-	17,199	-	-	-	-	298,872	316,071
Total expenditures	<u>623,483</u>	<u>504,374</u>	<u>88,156</u>	<u>14,408</u>	<u>48,411</u>	<u>991</u>	<u>311,806</u>	<u>1,591,629</u>
Excess (deficiency) of revenues over expenditures	<u>(188,943)</u>	<u>323,813</u>	<u>(7,069)</u>	<u>(3,396)</u>	<u>(9,100)</u>	<u>(991)</u>	<u>(65,248)</u>	<u>49,066</u>
Other financing sources (uses):								
Transfers in	190,000	-	15,000	-	-	-	65,248	270,248
Transfers out	-	(205,000)	-	-	-	-	-	(205,000)
Total other financing sources and uses	<u>190,000</u>	<u>(205,000)</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,248</u>	<u>65,248</u>
Net change in fund balances	<u>1,057</u>	<u>118,813</u>	<u>7,931</u>	<u>(3,396)</u>	<u>(9,100)</u>	<u>(991)</u>	<u>-</u>	<u>114,314</u>
Fund balances at beginning of year	233,712	1,594,671	44,274	309,881	305,534	12,732	-	2,500,804
Fund balances at end of year	<u>\$ 234,769</u>	<u>\$ 1,713,484</u>	<u>\$ 52,205</u>	<u>\$ 306,485</u>	<u>\$ 296,434</u>	<u>\$ 11,741</u>	<u>\$ -</u>	<u>\$ 2,615,118</u>

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

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net change in fund balances - total governmental funds **\$ 114,314**

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	316,071
Depreciation expense	(135,689)

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	53,700
Amount deferred in prior year governmental balance sheet	(64,643)

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	(3,115)
Change in net pension liability and deferred inflows and outflows	(10,477)
Town's share of nonemployer contributions to the retirement systems	32,970

Change in net position of governmental activities **\$ 303,131**

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, 2019**

ASSETS	Water	Sewer	Total Proprietary Funds
Current assets:			
Cash and cash equivalents - unrestricted	\$ 181,491	\$ 55,168	\$ 236,659
Cash and cash equivalents - restricted	86,380	-	86,380
Receivables, net	76,702	43,578	120,280
Inventories	9,150	-	9,150
Total current assets	<u>353,723</u>	<u>98,746</u>	<u>452,469</u>
Noncurrent assets:			
Capital assets, net	1,563,240	2,344,006	3,907,246
Total noncurrent assets	<u>1,563,240</u>	<u>2,344,006</u>	<u>3,907,246</u>
TOTAL ASSETS	<u>1,916,963</u>	<u>2,442,752</u>	<u>4,359,715</u>
DEFERRED OUTFLOWS			
Deferred outflows - pension related	<u>28,359</u>	<u>28,359</u>	<u>56,718</u>
LIABILITIES			
Current liabilities:			
Accounts payable	5,384	11,830	17,214
Due to other funds	41,099	79,642	120,741
Payroll and related liabilities	2,571	2,571	5,142
Accrued liabilities	3,270	1	3,271
Customer deposits payable	70,115	-	70,115
Non-current liabilities due within one year	2,537	24,515	27,052
Total current liabilities	<u>124,976</u>	<u>118,559</u>	<u>243,535</u>
Noncurrent liabilities:			
Non-current liabilities due in more than one year	6,366	535,701	542,067
Net pension liability	73,192	73,192	146,384
Total noncurrent liabilities	<u>79,558</u>	<u>608,893</u>	<u>688,451</u>
TOTAL LIABILITIES	<u>204,534</u>	<u>727,452</u>	<u>931,986</u>
DEFERRED INFLOWS			
Deferred inflows - pension related	<u>3,377</u>	<u>3,377</u>	<u>6,754</u>
NET POSITION			
Net investment in capital assets	1,563,240	2,344,006	3,907,246
Restricted net position	84,670	-	84,670
Unrestricted net position	89,501	(603,724)	(514,223)
TOTAL NET POSITION	<u>\$ 1,737,411</u>	<u>\$ 1,740,282</u>	<u>\$ 3,477,693</u>

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

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

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Water	Sewer	Total Proprietary Funds
Operating revenues:			
Charges for sales and services:			
Water and sewer fees	\$ 414,641	\$ 305,027	\$ 719,668
Other revenues	7,821	2,456	10,277
Total operating revenues	<u>422,462</u>	<u>307,483</u>	<u>729,945</u>
Operating expenses:			
Administration	325,967	330,573	656,540
Depreciation expense	95,475	55,423	150,898
Total operating expenses	<u>421,442</u>	<u>385,996</u>	<u>807,438</u>
Operating income (loss)	<u>1,020</u>	<u>(78,513)</u>	<u>(77,493)</u>
Nonoperating revenues (expenses):			
Intergovernmental revenues	106,950	353,696	460,646
Interest earned	1,206	341	1,547
Interest expense	-	(3,294)	(3,294)
Total nonoperating revenue (expenses)	<u>108,156</u>	<u>350,743</u>	<u>458,899</u>
Income (loss) before transfers	<u>109,176</u>	<u>272,230</u>	<u>381,406</u>
Transfers in	-	85,000	85,000
Transfers out	(150,248)	-	(150,248)
Total transfers	<u>(150,248)</u>	<u>85,000</u>	<u>(65,248)</u>
Change in net position	(41,072)	357,230	316,158
Net position at beginning of year	<u>1,778,483</u>	<u>1,383,052</u>	<u>3,161,535</u>
Net position at end of year	<u><u>\$ 1,737,411</u></u>	<u><u>\$ 1,740,282</u></u>	<u><u>\$ 3,477,693</u></u>

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

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

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

	Water	Sewer	Total Proprietary Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 396,478	\$ 289,503	\$ 685,981
Payments to suppliers	(441,615)	(625,694)	(1,067,309)
Payments to employees	(89,552)	(87,681)	(177,233)
Net cash provided by operating activities	<u>(134,689)</u>	<u>(423,872)</u>	<u>(558,561)</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	-	85,000	85,000
Transfer to other funds	(150,248)	-	(150,248)
Subsidy from grants	106,950	411,331	518,281
Net cash provided by noncapital and related financing activities	<u>(43,298)</u>	<u>496,331</u>	<u>453,033</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(16,585)	-	(16,585)
Acquisition and construction of capital assets	131,125	(100,400)	30,725
Principal paid on capital debt	-	(24,283)	(24,283)
Interest paid on capital debt	-	(3,294)	(3,294)
Net cash used by capital and related financing activities	<u>114,540</u>	<u>(127,977)</u>	<u>(13,437)</u>
Cash flows from investing activities:			
Interest received	1,206	341	1,547
Net cash provided by investing activities	<u>1,206</u>	<u>341</u>	<u>1,547</u>
Net increase (decrease) in cash and cash equivalents	(62,241)	(55,177)	(117,418)
Cash and cash equivalents, beginning of year (including amounts in restricted accounts)	330,112	110,345	440,457
Cash and cash equivalents, end of year (including amounts in restricted accounts)	<u>\$ 267,871</u>	<u>\$ 55,168</u>	<u>\$ 323,039</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ 1,020	\$ (78,513)	\$ (77,493)
Adjustments to reconcile operating loss to cash provided by operating activities:			
Depreciation expense	95,475	55,423	150,898
Pension related income and expense	4,415	4,415	8,830
(Increase) decrease in accounts receivable	(24,739)	(15,807)	(40,546)
(Increase) decrease in interfund balances	35,165	16,073	51,238
Increase (decrease) in accounts payable	(244,705)	(407,510)	(652,215)
Increase (decrease) in payroll related liabilities	2,048	2,047	4,095
Increase (decrease) in compensated absences payable	(4,429)	(1)	(4,430)
Increase (decrease) in customer deposits	928	-	928
Increase (decrease) in accrued liabilities	133	1	134
Total adjustments	<u>(135,709)</u>	<u>(345,359)</u>	<u>(481,068)</u>
Net cash provided by operating activities	<u>\$ (134,689)</u>	<u>\$ (423,872)</u>	<u>\$ (558,561)</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, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Oak Grove, Louisiana, (the Town) was incorporated January 13, 1909, and on January 4, 1966, adopted the provisions of The Home Rule Charter as provided by State Law Reference L.R.S. 33:1381-1390. A copy of the ratified charter is recorded in Charter Book "B" at page 401 of the records of West Carroll Parish, Louisiana. As of 2010, the Town had a population of 1,727. The citizens elect the Mayor, who is the executive officer, and the five Council members. The Council elects the Mayor Pro-Tem.

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

The basic financial statements present the financial position and results of operations of the various funds of the Town and the cash flows of the proprietary funds as of and for the year ended June 30, 2019.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

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

The General Fund is the Town’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sales Tax Special Revenue Fund accounts for a twenty-year one percent sales tax levied in 2017 for the purpose of maintaining streets and drainage, purchasing police equipment, and other legal purposes consistent with the Town’s purpose.

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

The Economic Development Fund accounts for funds committed by the Council for economic development within the Town.

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

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

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, 2019.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, taxes of 20.58 mills were levied on property with assessed valuations totaling \$12,125,443, as follows:

General corporate purposes	10.61 mills
Street maintenance	7.13 mills
Cemetery	2.84 mills

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Wal-Mart Real Estate Business Trust	\$ 891,000	8%	\$ 18,337
Regions Bank	755,005	6%	15,538
West Carroll Hospital	583,059	5%	11,999
Wal-Mart Louisiana, LLC	559,883	5%	11,522
Guaranty Bank and Trust Co.	339,036	3%	6,977
West Carroll Community Bank	286,244	3%	5,891
Richland State Bank	231,674	2%	4,768
Bellsouth Telecommunications	192,599	2%	3,964
Carroll Nursing Home Inc.	170,842	2%	3,516
Jade Tobacco, LLC	157,050	1%	3,232
Totals	<u>\$ 4,166,392</u>	<u>37%</u>	<u>\$ 85,744</u>

Inventories and Prepaid Items

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

Restricted Assets

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Compensated absences

An employee must have been in the service of the Town for at least one year to be eligible for annual leave. Employees' vacations are determined by length of service with the Town according to the following: one–two years, one week; two–ten years, two weeks; and more than ten years, three weeks. Employees may not carry over or accumulate annual leave from one year to another. After one year, employees are entitled to three hardship days to be approved by the department head and the mayor. Any employee who dies while employed by the Town of Oak Grove is entitled to be paid any vacation days not taken during that calendar year. All payments will be made to the employee's estate.

Leave from work with pay may be charged as sick leave if the absence is due to sickness, bodily injury, quarantine, required physical or dental examinations or treatment, exposure to a contagious disease when continued work might jeopardize the health of others, and illness in the employee's immediate family. Employees are entitled to sick leave when they have worked full-time for the Town for six months. Each employee earns sick leave at the rate of one day for each month worked. An employee cannot accumulate more than 30 days of sick leave. All accumulated sick leave is forfeited upon termination of employment except upon retirement.

A municipal employee who is called for jury duty or as a witness for the federal or state governments or a subdivision thereof is entitled to leave with pay for such duty during the required absence. A municipal employee who is a member of Reserved Military or National Guard is entitled to leave with pay for up to 15 days per year.

The Town does not provide compensatory time as a means of compensation.

Long-Term Obligations

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications and Net Position

Fund balances are reported under the following fund balance classifications:

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

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

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

Net investment in capital assets - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations. The Town first uses restricted net position for expenses incurred when both restricted and unrestricted net position are available for use. The use of restricted net position may be deferred based on a review of the specific transaction.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications and Net Position (Continued)

Reconciliation of Government-wide and Fund Financial Statements

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

Budgets

The Town of Oak Grove (Mayor and Council) uses the following budget practices:

Prior to June 30, the Town Clerk submits to the Mayor and Council Members a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.

Public hearings are conducted to obtain taxpayer comment.

During the month of July, the budget is legally enacted through passage of an ordinance.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the Debt Service Fund.

Budgets are adopted on the modified accrual basis.

Appropriations lapse at the end of each fiscal year.

The Mayor and Council Members may authorize supplemental appropriations during the year.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, the Town has cash and cash equivalents (book balances) totaling \$2,717,063 as follows:

Cash and cash equivalents:	
Demand deposits	\$ 631,629
Time deposits	1,955,536
Other	1,063
Total	<u>2,588,228</u>
Cash and cash equivalents – restricted:	
Demand deposits	64,118
Time deposits	64,717
Total	<u>128,835</u>
Total	<u><u>\$ 2,717,063</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, 2019, \$1,552,129 of the Town's bank balances of \$3,198,075 was exposed to custodial credit risk as follows:

Bank balances	<u><u>\$ 3,198,075</u></u>
Insured by FDIC	<u>\$ 1,645,946</u>
Collateralized by pledged securities not in the Town's name	<u>1,552,129</u>
Total balances exposed to custodial credit risk	<u>1,552,129</u>
Total bank balances	<u><u>\$ 3,198,075</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3 – RECEIVABLES

The following is a summary of receivables at June 30, 2019:

	<u>General</u>	<u>Sales Tax</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:					
Taxes	\$ -	\$ 117,951	\$ -	\$ -	\$ 117,951
Intergovernmental	-	66,636	246,558	-	313,194
Accounts and other	7,814	-	81,875	43,578	133,267
Gross receivables	<u>7,814</u>	<u>184,587</u>	<u>328,433</u>	<u>43,578</u>	<u>564,412</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(5,173)</u>	<u>-</u>	<u>(5,173)</u>
Net total receivables	<u>\$ 7,814</u>	<u>\$ 184,587</u>	<u>\$ 323,260</u>	<u>\$ 43,578</u>	<u>\$ 559,239</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2019, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 67,000	\$ -	\$ -	\$ 67,000
Recreational vehicle hookups at park	1,270	-	-	1,270
Construction in progress	<u>110,047</u>	<u>316,071</u>	<u>(127,246)</u>	<u>298,872</u>
Total capital assets not being depreciated	<u>178,317</u>	<u>316,071</u>	<u>(127,246)</u>	<u>367,142</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	579,896	-	-	579,896
Other improvements	8,750	127,246	-	135,996
Vehicles	<u>251,938</u>	<u>-</u>	<u>-</u>	<u>251,938</u>
Total capital assets being depreciated	<u>4,312,469</u>	<u>127,246</u>	<u>-</u>	<u>4,439,715</u>
Less accumulated depreciation for:				
Infrastructure	1,338,185	75,130	-	1,413,315
Buildings	399,237	-	-	399,237
Building improvements	188,555	1,808	-	190,363
Furniture and equipment	412,179	38,028	-	450,207
Other improvements	2,190	4,587	-	6,777
Vehicles	<u>201,844</u>	<u>16,136</u>	<u>-</u>	<u>217,980</u>
Total accumulated depreciation	<u>2,542,190</u>	<u>135,689</u>	<u>-</u>	<u>2,677,879</u>
Total capital assets being depreciated	<u>1,770,279</u>	<u>(8,443)</u>	<u>-</u>	<u>1,761,836</u>
Governmental activities, capital assets, net	<u>\$ 1,948,596</u>	<u>\$ 307,628</u>	<u>\$ (127,246)</u>	<u>\$ 2,128,978</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</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
Construction in progress	6,800	138,608	(145,408)	-
Total capital assets not being depreciated	<u>17,556</u>	<u>138,608</u>	<u>(145,408)</u>	<u>10,756</u>
Capital assets being depreciated:				
Infrastructure	4,110,479	161,993	-	4,272,472
Building improvements	27,954	-	-	27,954
Furniture and equipment	114,080	-	-	114,080
Vehicles	92,929	-	-	92,929
Total capital assets being depreciated	<u>4,345,442</u>	<u>161,993</u>	<u>-</u>	<u>4,507,435</u>
Less accumulated depreciation for:				
Infrastructure	2,640,164	87,503	-	2,727,667
Building improvements	22,731	2,021	-	24,752
Furniture and equipment	111,253	585	-	111,838
Vehicles	85,328	5,366	-	90,694
Total accumulated depreciation	<u>2,859,476</u>	<u>95,475</u>	<u>-</u>	<u>2,954,951</u>
Total capital assets being depreciated	<u>1,485,966</u>	<u>66,518</u>	<u>-</u>	<u>1,552,484</u>
Business-type activities - Water, capital assets, net	<u>\$ 1,503,522</u>	<u>\$ 205,126</u>	<u>\$ (145,408)</u>	<u>\$ 1,563,240</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities - Sewer:				
Capital assets not being depreciated:				
Construction in progress	\$ 474,318	\$ 666,519	\$ -	\$ 1,140,837
 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	30,799	-	-	30,799
Total capital assets being depreciated	<u>2,190,947</u>	<u>-</u>	<u>-</u>	<u>2,190,947</u>
 Less accumulated depreciation for:				
Infrastructure	900,087	54,342	-	954,429
Buildings	1,815	-	-	1,815
Building improvements	2,480	496	-	2,976
Furniture and equipment	27,972	585	-	28,557
Total accumulated depreciation	<u>932,354</u>	<u>55,423</u>	<u>-</u>	<u>987,777</u>
Total capital assets being depreciated	<u>1,258,593</u>	<u>(55,423)</u>	<u>-</u>	<u>1,203,170</u>
Business-type activities - Sewer capital assets, net	<u>\$ 1,732,911</u>	<u>\$ 611,096</u>	<u>\$ -</u>	<u>\$ 2,344,006</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</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	481,118	805,127	(145,408)	1,140,837
Total capital assets not being depreciated	<u>491,874</u>	<u>805,127</u>	<u>(145,408)</u>	<u>1,151,593</u>
Capital assets being depreciated:				
Infrastructure	6,265,340	161,993	-	6,427,333
Buildings	1,815	-	-	1,815
Building improvements	31,426	-	-	31,426
Furniture and equipment	144,879	-	-	144,879
Vehicles	92,929	-	-	92,929
Total capital assets being depreciated	<u>6,536,389</u>	<u>161,993</u>	<u>-</u>	<u>6,698,382</u>
Less accumulated depreciation for:				
Infrastructure	2,641,979	141,845	-	2,729,482
Buildings	2,480	-	-	2,976
Building improvements	50,703	2,517	-	53,309
Furniture and equipment	111,253	1,170	-	111,838
Vehicles	1,017,682	5,366	-	1,078,471
Total accumulated depreciation	<u>3,824,097</u>	<u>150,898</u>	<u>-</u>	<u>3,942,728</u>
Total capital assets being depreciated	<u>2,744,558</u>	<u>11,095</u>	<u>-</u>	<u>2,755,653</u>
Business-type activities - total, capital assets, net	<u>\$ 3,204,166</u>	<u>\$ 816,222</u>	<u>\$ (145,408)</u>	<u>\$ 3,907,246</u>

Depreciation expense was charged as follows:

Governmental activities:

General government	\$ 3,455
Public safety	18,199
Highways and streets	105,608
Culture and recreation	8,427
Total	<u>\$ 135,689</u>

Business-type activities:

Water	\$ 95,475
Sewer	55,423
Total	<u>\$ 150,898</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund balances and transfers during the year ended June 30, 2019, were as follows:

		Due To			
		Sales			
		General	Tax	Street	Total
Due From	General	\$ -	\$ 23,628	\$ 10,358	\$ 33,986
	Street	9,362	32,397	-	41,759
	Cemetery	4,876	-	-	4,876
	Water	-	41,099	-	41,099
	Sewer	-	79,642	-	79,642
	Total	<u>\$ 14,238</u>	<u>\$ 176,766</u>	<u>\$ 10,358</u>	<u>\$ 201,362</u>

		Transfers out		
		Sales		
		Tax	Water	Total
Transfers in	General	\$ 190,000	\$ -	\$ 190,000
	Street	15,000	-	15,000
	LCDBG	-	65,248	65,248
	Sewer	-	85,000	85,000
	Total	<u>\$ 205,000</u>	<u>\$ 150,248</u>	<u>\$ 355,248</u>

Balances are due to electronic transfers from grantors, bills paid by other funds, or errors. Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, and (3) move unrestricted general fund and sales tax fund revenues to finance various programs that the Town must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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. The Town is also required to pledge \$50,000 a year from the Sales Tax Fund.

Bonds payable at June 30, 2019, are comprised of the following issue:

Taxable Sewer Revenue Bonds:

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

\$ 560,216

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Long-term obligation activity for the year ended June 30, 2019, 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:					
Compensated absences	\$ 38,689	\$ 16,326	\$ (13,211)	\$ 41,804	\$ 8,442
Net pension liability - MERS	258,434	-	(9,186)	249,248	-
Net pension liability - MPERS	<u>662,063</u>	<u>65,291</u>	<u>-</u>	<u>727,354</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 959,186</u>	<u>\$ 81,617</u>	<u>\$ (22,397)</u>	<u>\$1,018,406</u>	<u>\$ 8,442</u>
	<u>Ending Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
DEQ Loan/ Sewer Revenue Bonds, Series 2017	\$ 80,751	\$ 503,748	\$ (24,283)	\$ 560,216	\$ 24,515
Compensated absences	6,761	8,415	(6,273)	8,903	2,537
Net pension liability - MERS	<u>127,289</u>	<u>19,095</u>	<u>-</u>	<u>146,384</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 214,801</u>	<u>\$ 531,258</u>	<u>\$ (30,556)</u>	<u>\$ 715,503</u>	<u>\$ 27,052</u>

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

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

Interest expense for business-type activities for the year ended June 30, 2019, totaled \$3,294.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RETIREMENT SYSTEMS

Municipal Employees' Retirement System of Louisiana (System)

Plan Description

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

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System.

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

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

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

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

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

For the year ended June 30, 2019, the Town of Oak Grove's total payroll for all employees was \$474,087. Total covered payroll was \$346,635. Covered payroll refers to all compensation paid by the Town of Oak Grove to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810, or by visiting the System's website www.mersla.com.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2019, the actual employer contribution rate was 14.00% for Plan B, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities but are not considered special funding situations.

Under Plan B, members are required by state statute to contribute 5.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town of Oak Grove to the System monthly. The Town of Oak Grove's contributions to the System under Plan B for the year ending June 30, 2018 were \$52,365.

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

At June 30, 2019, the Town reported a liability of \$395,632 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018, the Town's proportion was 0.46774%, which was an increase of 0.02194% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town of Oak Grove recognized a system pension expense of \$82,943 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, and current year contributions, which was (\$47,331). Total pension expense for the Town of Oak Grove for the year ended June 30, 2019 was \$35,612.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,060	\$17,820
Changes in assumptions	14,805	-
Net difference between projected and actual earnings on pension plan	64,303	-
Changes in employer's proportion of beginning net pension liability	20,760	179
Differences between employer and proportionate share of contributions	2	253
Subsequent measurement contributions	52,365	-
Total	\$153,295	\$18,252

The \$52,365 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, 2020. 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:	
2020	\$45,755
2021	29,132
2022	5,794
2023	1,995

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 is as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.275%
Inflation rate	2.600%
Salary increases, including inflation and merit increases	5.000%
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	RP-2000 Employees Sex Distinct Table set back 2 years for both males and females.
Disabled lives mortality	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.
Expected remaining service lives	4 years for Plan B

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.2%
Public fixed income	35%	1.5%
Alternatives	15%	0.6%
Totals	100%	4.3%
Inflation		2.7%
Expected arithmetic nominal return		7.0%

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.275% for the years ended June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2018 is 4 years for Plan B.

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

The following presents the Town of Oak Grove's proportionate share of the net pension liability calculated using the discount rate of 7.275%, 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 (6.275%) or one percentage-point higher (8.275%) than the current rate:

	1.0% Decrease (6.275%)	Current Discount Rate (7.275%)	1.0% Increase (8.275%)
Employer's proportionate share of net pension liability	\$519,218	\$395,632	\$290,572

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$5,494, which is the legally required contribution due at June 30, 2019. This amount is recorded in accrued expenses.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

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:

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

The monthly amount of benefits 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

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

Non Hazardous Duty

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

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

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:

9. Any age with 25 years of creditable service.
10. Age 50 with a minimum of twenty or more years of creditable service.
11. Age 55 with a minimum of twelve or more years of creditable service.
12. 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

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

Non Hazardous Duty

5. Any age with 30 years of creditable service.
6. Age 55 with 25 or more years of creditable service.
7. Age 60 with 10 or more years of creditable service.
8. After 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

The 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, 2019, the Town of Oak Grove's total payroll for all employees was \$273,377. Total covered payroll was \$258,696. Covered payroll refers to all compensation paid by the Town of Oak Grove to active employees covered by the Plan.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

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, 2019, the actual employer contribution rate was 32.25%, 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, 2019 were \$83,505.

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

At June 30, 2019, the Employer reported a liability of \$727,354 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018, the Town's proportion was 0.086036%, which was an increase of 0.010203% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town of Oak Grove recognized a system pension expense of \$108,316 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, and current year contributions, which was (\$120,875). Total pension expense for the Town of Oak Grove for the year ended June 30, 2019 was (\$12,559).

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$3,279	\$37,169
Changes in assumption	47,532	-
Net difference between projected and actual earnings on pension plan investments	34,868	-
Changes in employer's portion of beginning net pension liability	125,947	19,758
Differences between employer contributions and proportionate share of employer contributions	97,396	-
Subsequent measurement contributions	83,505	-
Total	\$392,527	\$56,927

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

Year ended June 30:	
2020	\$124,717
2021	114,494
2022	19,434
2023	1,266

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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, 2018 as follows:

Valuation Date	June 30, 2018	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Investment Rate of Return	7.20%, net of investment expense	
Inflation rate	2.60%	
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
Projected salary increases	Years of service	Salary growth rate
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Expected remaining service lives	4 years	
Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period of July 1, 2009 through June 30, 2014, and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables. The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	52%	3.58%
Fixed income	22%	0.46%
Alternatives	20%	1.07%
Other	6%	0.17%
Totals	100%	5.28%
Inflation		2.75%
Expected arithmetic nominal return		8.03%

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 – RETIREMENT SYSTEMS (CONTINUED)

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

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

The following presents the Town of Oak Grove's proportionate share of the net pension liability calculated using the discount rate of 7.20%, 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 (6.20%) or one percentage-point higher (8.20%) than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
Employer's proportionate share of net pension liability	\$1,022,133	\$727,354	\$480,045

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$8,580, which is the legally required contribution due at June 30, 2018. This amount is recorded in accrued expenses.

Plan Fiduciary Net Position

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

NOTE 8 – ON-BEHALF PAYMENTS

Certain employees in the Town's police department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$40,741. The related expenditures of \$40,741 are included in public safety expenditures in the General Fund.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Town operates water and sewer treatment plants. These operations pose a high risk for environmental liabilities. The Town is required to have EPA permits for wastewater. The Town relies on the EPA for periodic testing and inspections to help identify environmental liabilities or contingencies. The Town contracts with a professional wastewater management company to ensure compliance with the EPA regulations.

As of June 30, 2019, the Town had a contractual commitment of \$1,487,189 for a sewer improvement project. The Town paid \$1,102,237 on this contract during the 2019 fiscal year with a remaining \$384,952 left to expense.

At June 30, 2019, the Town was involved in two lawsuits which are being vigorously defended by legal counsel.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – STEWARDSHIP

For the year ended June 30, 2019, the following funds' total expenditures and other uses exceeded final budgeted amounts:

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General	\$613,000	\$1,757,000	\$ 623,483	\$(1,133,517)
Sales Tax	788,179	903,679	709,374	(194,305)

NOTE 12 – NEW ACCOUNTING STANDARDS

GASB has issued the following statements:

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 12 – NEW ACCOUNTING STANDARDS (CONTINUED)

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

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

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

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

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

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

GASB Statement No. 91, *Conduit Debt Obligations* – The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. This statement does not affect these financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION – PART II

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

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues:				
Taxes	\$ 173,000	\$ 180,000	\$ 180,813	\$ 813
Intergovernmental revenues	39,000	1,027,000	42,136	(984,864)
Licenses and permits	107,000	117,000	148,861	31,861
Charges for services	6,000	7,000	4,135	(2,865)
Fines	48,000	38,000	38,826	826
Lease income	10,000	13,000	13,537	537
Interest earned	3,000	3,000	2,516	(484)
Other revenues	6,000	68,000	3,716	(64,284)
Total revenues	<u>392,000</u>	<u>1,453,000</u>	<u>434,540</u>	<u>(1,018,460)</u>
Expenditures:				
Current:				
General government	154,000	225,000	174,885	50,115
Public safety	436,000	447,000	446,400	600
Health and welfare	1,000	1,000	1,092	(92)
Culture and recreation	2,000	1,000	1,106	(106)
Capital outlay	20,000	40,000	-	40,000
Total expenditures	<u>613,000</u>	<u>714,000</u>	<u>623,483</u>	<u>90,517</u>
Excess (deficiency) of revenues over expenditures	<u>(221,000)</u>	<u>739,000</u>	<u>(188,943)</u>	<u>(927,943)</u>
Other financing sources (uses):				
Transfers in	145,000	170,000	190,000	20,000
Transfers out	-	(1,043,000)	-	1,043,000
Total other financing sources (uses)	<u>145,000</u>	<u>(873,000)</u>	<u>190,000</u>	<u>1,063,000</u>
Net change in fund balances	(76,000)	(134,000)	1,057	135,057
Fund balances at beginning of year	157,284	174,057	233,712	59,655
Fund balances at end of year	<u><u>\$ 81,284</u></u>	<u><u>\$ 40,057</u></u>	<u><u>\$ 234,769</u></u>	<u><u>\$ 194,712</u></u>

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

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

**SPECIAL REVENUE FUND – SALES TAX FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 724,000	\$ 750,000	\$ 743,748	\$ (6,252)
Intergovernmental revenues	66,000	20,000	66,636	46,636
Interest earned	5,000	8,000	13,900	5,900
Other revenues	-	24,000	3,903	(20,097)
Total revenues	<u>795,000</u>	<u>802,000</u>	<u>828,187</u>	<u>26,187</u>
Expenditures:				
Current:				
General government	336,209	421,209	338,834	82,375
Public safety	25,000	25,000	24,855	145
Highways and streets	127,000	125,000	112,584	12,416
Health and welfare	3,000	4,000	5,747	(1,747)
Culture and recreation	96,500	103,000	5,155	97,845
Capital outlay	-	-	17,199	(17,199)
Total expenditures	<u>587,709</u>	<u>678,209</u>	<u>504,374</u>	<u>173,835</u>
Excess (deficiency) of revenues over expenditures	<u>207,291</u>	<u>123,791</u>	<u>323,813</u>	<u>200,022</u>
Other financing sources:				
Transfers out	(200,470)	(225,470)	(205,000)	20,470
Total other financing sources	<u>(200,470)</u>	<u>(225,470)</u>	<u>(205,000)</u>	<u>20,470</u>
Net change in fund balances	6,821	(101,679)	118,813	220,492
Fund balances at beginning of year	1,744,877	1,549,368	1,594,671	45,303
Fund balances at end of year	<u>\$ 1,751,698</u>	<u>\$ 1,447,689</u>	<u>\$ 1,713,484</u>	<u>\$ 265,795</u>

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

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

**SPECIAL REVENUE FUND – STREET FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 75,000	\$ 89,000	\$ 80,502	\$ (8,498)
Interest earned	-	1,000	584	(416)
Other revenues	-	-	1	1
Total revenues	<u>75,000</u>	<u>90,000</u>	<u>81,087</u>	<u>(8,913)</u>
Expenditures:				
Current:				
General government	1,000	1,000	1,234	(234)
Highways and streets	83,000	84,000	86,922	(2,922)
Total expenditures	<u>84,000</u>	<u>85,000</u>	<u>88,156</u>	<u>(3,156)</u>
Excess (deficiency) of revenues over expenditures	<u>(9,000)</u>	<u>5,000</u>	<u>(7,069)</u>	<u>(12,069)</u>
Other financing sources:				
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>15,000</u>	<u>(10,000)</u>
Total other financing sources	<u>25,000</u>	<u>25,000</u>	<u>15,000</u>	<u>(10,000)</u>
Net change in fund balances	16,000	30,000	7,931	(22,069)
Fund balances at beginning of year	<u>54,448</u>	<u>63,347</u>	<u>44,274</u>	<u>(19,073)</u>
Fund balances at end of year	<u>\$ 70,448</u>	<u>\$ 93,347</u>	<u>\$ 52,205</u>	<u>\$ (41,142)</u>

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

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

**SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest earned	\$ 1,000	\$ 1,000	\$ 2,756	\$ 1,756
Other revenues	1,000	2,000	2,256	256
Total revenues	<u>2,000</u>	<u>9,000</u>	<u>11,012</u>	<u>2,012</u>
Expenditures:				
Current:				
Economic development	<u>1,000</u>	<u>14,000</u>	<u>14,408</u>	<u>(408)</u>
Net change in fund balances	1,000	(5,000)	(3,396)	1,604
Fund balances at beginning of year	<u>475,327</u>	<u>304,525</u>	<u>309,881</u>	<u>5,356</u>
Fund balances at end of year	<u>\$ 476,327</u>	<u>\$ 299,525</u>	<u>\$ 306,485</u>	<u>\$ 6,960</u>

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

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

**SPECIAL REVENUE FUND – CEMETERY FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 30,000	\$ 32,000	\$ 32,065	\$ 65
Charges for services	6,000	3,000	3,975	975
Interest earned	2,000	3,000	3,083	83
Total revenues	<u>38,000</u>	<u>38,000</u>	<u>39,311</u>	<u>1,311</u>
Expenditures:				
Current:				
General government	1,000	1,000	661	(339)
Cemeteries	<u>47,750</u>	<u>46,000</u>	<u>47,750</u>	<u>1,750</u>
Total expenditures	<u>48,750</u>	<u>47,000</u>	<u>48,411</u>	<u>1,411</u>
Net change in fund balances	(10,750)	(9,000)	(9,100)	(100)
Fund balances at beginning of year	<u>304,726</u>	<u>297,045</u>	<u>305,534</u>	<u>8,489</u>
Fund balances at end of year	<u><u>\$ 293,976</u></u>	<u><u>\$ 288,045</u></u>	<u><u>\$ 296,434</u></u>	<u><u>\$ 8,389</u></u>

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

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

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
2014	0.448843%	\$ 210,730	\$ 290,787	72.47%	73.99%
2015	0.409423%	278,262	284,084	97.95%	66.18%
2016	0.408082%	338,263	299,819	112.82%	63.34%
2017	0.445803%	385,723	330,476	116.72%	63.49%
2018	0.467740%	395,632	346,635	114.14%	65.60%

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
2014	0.051940%	\$ 345,298	\$ 172,519	200.15%	75.10%
2015	0.068942%	540,088	183,666	294.06%	70.73%
2016	0.058325%	546,670	161,684	338.11%	66.04%
2017	0.075834%	662,063	221,912	298.34%	70.08%
2018	0.086040%	727,354	253,900	286.47%	71.89%

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

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 26,988	\$ 26,988	\$ -	\$ 284,084	9.50%
2016	28,483	28,483	-	299,819	9.50%
2017	36,352	36,352	-	330,476	11.00%
2018	45,929	45,929	-	346,635	13.25%
2019	52,365	52,365	-	374,038	14.00%

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 57,992	\$ 57,992	\$ -	\$ 183,666	31.57%
2016	48,559	48,559	-	161,684	30.03%
2017	70,457	70,457	-	221,912	31.75%
2018	78,075	78,075	-	253,900	30.75%
2019	83,505	83,505	-	258,696	32.28%

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

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, 2019**

Adam T. Holland, Mayor:

Salary	\$ 18,000
Benefits	1,377
Reimbursements:	
Conference registrations and travel expenses	7,774
Membership fees	1,398
Mileage	1,180
Total	<u>\$ 29,729</u>

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

**SCHEDULE OF COMPENSATION TO TOWN COUNCIL
FOR THE YEAR ENDED JUNE 30, 2019**

Cherry P. Rye, Mayor Pro-Tem	\$ 1,100
Rishard B. Allen	1,200
Roy M. Gammill	1,200
Todd Nevels	1,200
Garland C. Walker	<u>1,200</u>
Total	<u><u>\$ 5,900</u></u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR NAME/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Office of the Governor, Division of Administration:			
Community Development Block Grant	14.228	2000366821	<u>\$ 246,558</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
Passed through Louisiana Department of Transportation and Development, Office of State Parks:			
Recreational Trails Program	20.219	H.012491	<u>17,200</u>
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY			
Passed through Louisiana Department of Environmental Quality:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	LDEQ/22 1921-01	<u>407,864</u>
NORTH DELTA REGIONAL AUTHORITY			
Delta Area Economic Development	90.201	LA-50711	<u>95,449</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
Passed through State of Louisiana - Governor's Office of Homeland Security and Emergency Preparedness -			
State Homeland Security Grant Program	97.067		<u>1,395</u>
Total federal expenditures			<u><u>\$ 768,466</u></u>

NOTES:

General

The Schedule of Expenditures of Federal awards presents the activity of all federal award programs of the Union Parish Police Jury as defined in Note 1 to the financial statements. All federal award programs received directly from federal agencies, as well as federal awards through other government agencies, are included on the schedule.

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of account, which is described in Note 1 to the Police Jury's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the financial statements.

Indirect Costs

No indirect costs were charged to federal awards.

Loan Balances

Participating in the Capitalization Grants for Clean Water State Revolving Funds program under CFDA No. 66.458, the Town received funds under an agreement with Louisiana Department of Environmental Quality dated August 1, 2017. The loan balance as of June 30, 2019 is \$560,216.

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, 2019, and the related notes to the financial statements, which collectively comprise the Town of Oak Grove, Louisiana's basic financial statements and have issued our report thereon dated December 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Oak Grove'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Oak Grove'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Town of Oak Grove
Oak Grove, Louisiana
Independent Auditor's Report - GAGAS
June 30, 2019

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Oak Grove'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-002.

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 and questioned costs. The Town of Oak Grove's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

BOSCH & STATHAM, LLC



Ruston, Louisiana
December 19, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Oak Grove's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Town of Oak Grove's major federal program for the year ended June 30, 2019. The Town of Oak Grove's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Oak Grove's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Oak Grove's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of Oak Grove's compliance.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, the Town of Oak Grove did not comply with requirements regarding CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds as described in finding number 2019-003 for special tests and provisions. Compliance with such requirements is necessary, in our opinion, for the Town of Oak Grove to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town of Oak Grove complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds for the year ended June 30, 2019.

Other Matters

The Town of Oak Grove's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Oak Grove's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Town of Oak Grove is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Oak Grove's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Oak Grove's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-003 to be a significant deficiency.

The Town of Oak Grove's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Oak Grove's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Town of Oak Grove
Oak Grove, Louisiana
Independent Auditor's Report – Uniform Guidance
June 30, 2019

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BOSCH & STATHAM, LLC



Ruston, Louisiana
December 19, 2019

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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. One material weakness is 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. One instance of noncompliance material to the financial statements of the Town of Oak Grove, which would be required to be reported in accordance with *Government Auditing Standards* was disclosed during the audit.
4. A management letter was issued.
5. One significant deficiency in internal control over the major federal award programs is reported in the Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by The Guidance. No material weaknesses are reported.
6. The auditor's report on compliance for the major federal award program for the Town of Oak Grove expresses a qualified opinion on the major federal program.
7. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
8. The following program was tested as a major program:
 - a. United States Environmental Protection Agency – Passed through Louisiana Department of Environmental Quality - Capitalization Grants for Clean Water State Revolving Funds – CFDA No. 66.458
9. The threshold for distinguishing Type A and B programs was \$750,000.
10. The Town of Oak Grove was determined not to be a low-risk auditee.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2019-001 Internal Control Deficiencies

Year First Reported

2017

Type

Material Weakness

Criteria

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

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

Each significant accounting area should be addressed with unique internal control activities.

Condition

The Town's internal control system appears to be deficient in risk assessment, information and communication, control activities, and monitoring.

We noted the following specific issues:

1. Some accounts were classified incorrectly in the accounting system as to type (asset, liability, revenue, expenditure).
2. Collections:
 - a. Payments are collected primarily by the police department secretary, the governmental accounting clerk, and two utility department accounting clerks. The Town Clerk collects payments for governmental funds when other employees are unavailable.
 - b. The Town Clerk serves in an oversight capacity. The police officers maintain ticket book records. The police department secretary is responsible for recording payments on tickets in a special ticket tracking software and reporting unpaid tickets to the appropriate authorities. The governmental accounting clerk maintains the record of taxes paid and unpaid and the general ledgers of all the governmental funds. The utility accounting clerks maintain the customer subsidiary records and the general ledgers for the water and sewer funds.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

- c. Several adjustments were required to adjust grant revenues to the proper amounts and proper presentation. In some instances, the account type issue in number 1 caused errors. In others, grant receipts were posted to the wrong type of account with respect to federal, state, or local. In other cases, grant expenditures were netted against grant revenues.
- 3. Cash disbursements:
 - a. The governmental accounting clerk is able to add or delete vendors, initiates the payment of accounts payable, prepares checks, and posts checks.
 - b. The utility accounting clerks is able to add or delete vendors, initiate the payment of accounts payable, prepare checks, and post checks.
 - c. The accounting clerks maintain the supply of unused checks and the Mayor's signature stamp.
- 4. Meter deposit refunds – The utility clerks process closed accounts and issue refunds to customers without review or approval from management.
- 5. Bank reconciliations:
 - a. During tests of bank reconciliations, we noted more than \$4,000 in stale outstanding checks, more than \$4,000 in stale deposits in transit as well as over \$7,000 in interest earned that was not posted.
 - b. One check was recorded in two different bank accounts.
- 6. Payroll
 - a. Some payroll items were set up incorrectly resulting in costs being posted to incorrect accounts or being reflected as regular hours instead of holiday hours.
 - b. Late fees were paid to the Retirement System due to reports and payments not being submitted on time.
 - c. Police officers do not record attendance.
- 7. General journal:
 - a. No authorization is required for journal entries.
 - b. There is no policy regarding what must be documented to support journal entries.
- 8. General information technology:
 - a. All five employees who have access to QuickBooks share the same username and password. The sharing of credentials increases the risk that the system will be accessed by unauthorized persons and prevents the audit trail function from operating properly. Therefore, management will not be able to identify which employees have entered, modified, or deleted transactions.

Cause

In some instances, the internal control system is not adequately designed. In others, it seems that activities were not properly carried out.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Effect

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

Recommendation

We recommend that management evaluate all the elements of internal control and design and implement changes to internal control where necessary. These changes should be incorporated into the Town's written policies and procedures. Employees should be properly trained.

Risk Assessment

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

Control Activities

We recommend that the control activities be revised as necessary to address the conditions identified above and any deficiencies that management identifies during risk assessment.

Information and Communication

We recommend that information and communication policies and procedures be revised as necessary to address the deficiencies and risks identified above and any deficiencies that management identifies during risk assessment.

Monitoring

We recommend that the Town Clerk review at least a sample of the following documents monthly:

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

Management's Response

See management's corrective action plan.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

2019-002 Required Reserve Accounts Not Established and Transfer Not Made

Year First Reported

2019

Type

Noncompliance

Criteria

Section 4.01, Pledge of Revenues, of the Clean Water State Revolving Fund Loan and Pledge Agreement with the Louisiana Department of Environmental Quality requires the Town to pledge and dedicate “revenues of the sewerage system, after payment of the reasonable and necessary expenses of operating and maintaining the System and from transfers in the sum of Fifty Thousand Dollars (\$50,000) of the Town’s 1% Sales and Use Tax...” and requires the funds to be “set aside in the Funds and Accounts described in the Authorizing Ordinance...”

An amending ordinance states “The Governing Authority agrees to transfer to the Sewer System Revenue Fund, every year, the sum of Fifty Thousand Dollars (\$50,000) of the Town’s 1% Sales and Use Tax...or such other lawfully available funds of the Town...”

Section 14 of the Ordinance authorizing the issuance of the Series 2017 Sewer Revenue Bonds requires a “Revenue Fund”, a “Debt Service Fund”, a “Reserve Fund”, and a “Contingencies Fund”.

Condition

The Town has a Revenue Fund but overlooked setting up the Debt Service Fund, the Reserve Fund, and the Contingencies Fund. It appears, based on the language in the agreement with DEQ and the ordinances, that a \$50,000 annual transfer is required. We noted no such transfer.

Cause

Management overlooked the establishment of the special accounts. When management consulted with legal counsel regarding the required accounts and possible required transfer, it was their understanding that the transfer was only required if funds were otherwise insufficient for debt payments.

Effect

The Town may not be in compliance with the agreement with the grantor or the bond ordinance.

Recommendation

We recommend that management further consult with legal counsel regarding the transfer. We also recommend that management establish written policies and procedures for future bond issuances to ensure there is clear communication of responsibility for ensuring compliance with agreements and ordinances and responsibility for monitoring for compliance.

Management’s Response

See management’s corrective action plan.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

B. FINDINGS – AUDIT IN ACCORDANCE WITH UNIFORM GUIDANCE

2019-003 Noncompliance with the Loan and Pledge Agreement

Program: Capitalization Grants for Clean Water State Revolving Funds – CFDA No. 66.458

Significant Deficiency and Noncompliance: As discussed in finding 2019-002, the Town did not make a required transfer of funds or establish required reserve accounts.

C. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Corrective action was completed.

2018-002 Accounting System Setup Errors

The finding is repeated by inclusion in 2019-001.

2018-003 Purchasing System Not Properly Designed or Implemented

Corrective action was completed.

2018-004 Security Deficiencies

Corrective action was completed.

2018-005 Lack of Segregation of Duties

The finding is repeated by inclusion in 2019-001.

2018-006 Lack of Written Policies and Procedures

Corrective action was completed.

2018-007 Deficiencies in Payroll System

The finding is repeated by inclusion in 2019-001.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

2018-008 No Physical Inventory of Assets

Corrective action was completed.

2018-009 Receipts Not Timely Deposited

Corrective action was completed.

2018-010 Possible Violations of Louisiana Constitution

Corrective action was completed.

2018-011 Internal Control System Lacks Basic Components

The finding is repeated by inclusion in 2019-001.

2018-012 Quotes for Fuel

Corrective action was completed.

2018-013 Late Publication of Minutes

Corrective action was completed.

2018-014 Internal Control over Grant Administration

Corrective action was completed.

ML2018-001 Basis of Accounting

This comment is not repeated.

ML2018-002 Interfund Balances Should be Cleared

Corrective action was completed.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

ML2018-003 Stale Outstanding Items on Bank Reconciliations

The issue is repeated by inclusion in 2019-001.



MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the Town of Oak Grove, as of and for the year ended June 30, 2019, we considered the Town's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving internal control that are presented for your consideration. This letter does not affect our report dated December 19, 2019, on the financial statements of the Town. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations. Our comments and management's responses are summarized as follows:

ML2019-001 Consideration of Contracting for Bookkeeping Services

Year First Reported

2019

Criteria

Personnel responsible for bookkeeping and payroll processing should be properly trained and supervised.

Condition

Internal control deficiencies are reported in the schedule of findings and questioned costs. Audit procedures revealed multiple audit differences requiring adjustment.

Cause

Accounting and compliance requirements are increasingly complex.

Effect

The internal control system may not prevent misstatements or noncompliance due to fraud or error.

Town of Oak Grove
Management Letter
June 30, 2019

Recommendation

We recommend that management consider contracting with a CPA firm and/or payroll processing company. Possible services to consider are:

1. Payroll processing
2. Payroll reporting
3. Bookkeeping
4. Monitoring of bookkeeping
5. Consulting

Management's Response

See management's corrective action plan.

ML2019-002 Installation of GPS in Town Vehicles

Year First Reported

2019

Criteria

Proper internal control over capital assets should include reasonable measures to protect such assets from theft, misuse, or abuse.

Condition

The auditors have concluded, based on professional experience, that a risk exists at most entities for abuse of Town assets, and in particular, vehicles. Some duties require employees to work independently away from supervisors while in Town vehicles. This presents opportunities for employees to use vehicles for personal use, such as for personal errands or sleeping on the job. This may occur within or outside of town limits.

Cause

This condition, if it occurs, will be caused by employees taking advantage of weaknesses in internal controls that provide opportunities for abuse.

Effect

Town vehicles may be used for personal use. Employees may be paid for time they were not working.

Recommendation

We recommend that management consider installing GPS devices in Town vehicles to allow management to track the location of vehicles. We also recommend that policies and procedures be updated to address the requirement and to address action to be taken if employees are caught abusing town assets or submitting false attendance records.

Management's Response

See management's corrective action plan.

Town of Oak Grove
Management Letter
June 30, 2019

Our audit procedures are designed primarily to enable us to form opinions on the financial statements of the Town of Oak Grove, as of and for the year ended June 30, 2019, which collectively comprise the Town's financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

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

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

BOSCH & STATHAM, LLC

A handwritten signature in blue ink that reads "Bosch & Statham".

Ruston, Louisiana
December 19, 2019

ADAM T. HOLLAND
MAYOR

CHERRY RYE
MAYOR PRO TEM

MELLISSA CORLEY
SECRETARY-TREASURER

JOHN M. LANCASTER
ATTORNEY



OAK GROVE

The North Gate to Poverty Point

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TOWN
COUNCIL

Mike Gammill
Richie Allen
Todd Nevels
Garland Walker

Bosch & Statham
Certified Public Accountants
P.O. Box 2377
Ruston, La. 71273-2377

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

In response to the findings in our 2019 audit, we wish to advise you that the Town of Oak Grove has taken the following steps to correct the findings:

2019-001 Internal Control Deficiencies

This has been noted and the following actions have been taken: the Council has approved the contracting of a CPA to review and assist with accounting and payroll; refunds and journal entries will be reviewed and approved by the Clerk or Mayor; we will contact someone to assist with setting up separate username and passwords for each person having access to QuickBooks; the Clerk reviews at least a sample of the documents and reports listed in the findings.

2019-002 Required Reserve Accounts Not Established and Transfer Not Made

This has been noted and we have consulted with our bond attorney who feels that due to the language in the amended Ordinance stating "or other lawfully available funds of the town" it is not necessary to transfer the funds from the Sales Tax Fund as long as sufficient funds are available in the Sewer Fund. The establishment of a Debt Service Fund, Reserve Fund and Contingencies Fund was simply an oversight and we have consulted with our bond attorney who is sending a consultant to assist in the setting up of these funds.

2019-003 Noncompliance with the Loan and Pledge Agreement

This has been noted and after consulting with our bond attorney we feel that it is not necessary to transfer the funds from the Sales Tax Fund as long as sufficient funds are available in the Sewer Fund. The establishment of required reserve funds was an oversight and we have consulted with our bond attorney who is sending a consultant to assist in the setting up of these funds.

Management Letter

ML2019-001 Consideration of Contracting for Bookkeeping Services

We will contract with a CPA to have them review and assist with accounting and payroll.

ML2019-2002 Installation of GPS in Town Vehicles

We will obtain quotes for GPS devices in Town vehicles and consider installing these devices in Town vehicles. We will also review our polices and make changes where we see necessary.

Statewide Agreed-Upon Procedures

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Adam T. Holland", with a long horizontal flourish extending to the right.

Adam T. Holland, Mayor

ADAM T. HOLLAND
MAYOR

CHERRY RYE
MAYOR PRO TEM

MELLISSA CORLEY
SECRETARY-TREASURER

JOHN M. LANCASTER
ATTORNEY



The North Gate to Poverty Point

407 East Main Street
Oak Grove, La. 71263
318-428-3276 (Phone)
318-428-4556 (Fax)
www.townfoakgrove.com

TOWN
COUNCIL

Mike Gammill
Richie Allen
Todd Nevels
Garland Walker

December 19, 2019

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

In connection with your engagement to apply agreed-upon procedures to certain control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period July 1, 2018 through June 30, 2019, we confirm to the best of our knowledge and belief, the following representations made to you during your engagement.

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

Yes No

2. For the fiscal period July 1, 2018 through June 30, 2019, the C/C areas were administered in accordance with the best practice criteria presented in the SAUPs.

Yes No

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

Yes No

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

Yes No

5. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the C/C areas, including communications received between June 30, 2019, and December 19, 2019.
- Yes No
6. We have provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.
- Yes No
7. We represent that the listing of bank accounts for the fiscal period that we provided to you is complete. We also represent that we have identified and disclosed to you our main operating account.
- Yes No
8. We represent that the listing of deposit sites for the fiscal period that we provided to you is complete.
- Yes No
9. We represent that the listing of collection locations for the fiscal period that we provided to you is complete.
- Yes No
10. We represent that the listing of locations that process payments for the fiscal period that we provided to you is complete.
- Yes No
11. We represent that the non-payroll disbursement transaction population for each location that processes payments for the fiscal period that we provided to you is complete.
- Yes No
12. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards, that we provided to you is complete.
- Yes No
13. We represent that the listing of all travel and travel-related expense reimbursements during the fiscal period that we provided to you is complete.
- Yes No

14. We represent that the listing of all agreements/contracts (or active vendors) for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period that we provided to you is complete.
- Yes No
15. We represent that the listing of employees/elected officials employed during the fiscal period that we provided to you is complete.
- Yes No
16. We represent that the listing of employees/officials that received termination payments during the fiscal period that we provided to you is complete.
- Yes No
17. We represent that the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines during the fiscal period.
- Yes No
18. We represent that the listing of bonds/notes issued during the fiscal period that we provided to you is complete.
- Yes No
19. We represent that the listing of bonds/notes outstanding at the end of the fiscal period that we provided to you is complete.
- Yes No
20. We represent that the listing of misappropriations of public funds and assets during the fiscal period that we provided to you is complete.
- Yes No
21. We have disclosed to you [*list other matters as you have deemed appropriate*].
- Yes No
22. We have responded fully to all inquiries made by you during the engagement.
- Yes No
23. We are not aware of any events that have occurred subsequent to June 30, 2019, that would require adjustment to or modification of the results of the agreed-upon procedures.
- Yes No

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

Signature  Date 12-19-19

Title Mayor

Signature Melissa Cordey Date 12-19-19

Title Town Clerk



Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Town of Oak Grove
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Oak Grove and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

We obtained the policies and procedures.

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

The policy included all of the referenced elements.

Exceptions: None

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

No such policy has been adopted.

Exceptions: No policy.

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

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

No such policy has been adopted.

Exceptions: No policy.

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

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

The entity's policy does not address all of the elements.

Exceptions: See above.

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

The policy includes the approving of leave and overtime. However, the policy does not address the other required elements.

Exceptions: See above.

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

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

No such policy has been adopted

Exceptions: See above.

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

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

No such policy has been adopted.

Exceptions: No policy

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

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

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

Exceptions: The policy does not include dollar thresholds.

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

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

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

Exceptions: See above.

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

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

No such policy has been adopted.

Exceptions: No policy

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

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operation after a critical event.

No such policy has been adopted.

Exceptions: No policy

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

Board (or Finance Committee, if applicable)

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

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

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

The council met at least monthly with a quorum.

Exceptions: None

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

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

Exceptions: None

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

We obtained the prior year audit report and observed a positive unrestricted fund balance in the General Fund.

Exceptions: None.

Bank Reconciliations

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

We obtained the listing and management's representation that the listing is complete. Management identified the main operating account. We randomly selected 4 additional accounts for testing. We randomly selected one month from the fiscal period and obtained the corresponding bank statements and reconciliations.

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

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

Exceptions: None

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

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

Exceptions: See above.

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

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

Four of the five bank reconciliations included stale outstanding items older than twelve months. We noted no evidence that management researched the reconciling items.

Exceptions: See above

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

Collections (excluding EFTs)

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

We obtained a listing of deposit sites for the fiscal period where deposits and management's representation that the listing is complete. As there were only three sites listed, all deposit sites were selected for testing.

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

For each deposit site, we obtained a listing of collection locations and management's representation that the listing is complete. We selected 3 collection locations. As we noted no official written policies and procedures relating to employee job duties, we inquired of employees about their job duties.

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

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

Exceptions: None.

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

We noted the two water and sewer clerks each collect cash and prepare/make deposits. We noted the employee on the governmental side collects all other fees, and she also prepares the deposit. We noted no employee reconciles collection documentation to the deposit.

Exceptions: See above.

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

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

For the water/sewer department, both employees collect cash and post collection entries to the general ledger. The employee who collects fees on the governmental side hands the deposit slip to a different employee on the governmental side to post to the general ledger. The Town Clerk reviews all general ledger activity.

Exceptions: See above.

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

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

We noted no employee is responsible for reconciling cash collections to the general ledger.

Exceptions: See above.

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

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

We noted that all employees who have access to cash are covered by a surety bond.

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

We randomly selected two deposit dates for each of the five bank accounts selected for procedure number 3 and obtained the supporting documentation for each of the 10 deposits selected.

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

We noted no exceptions.

Exceptions: None

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

We traced receipts to the deposit slip for nine of eleven receipts tested. We were unable to obtain receipts for two of ten deposits tested because they are printed directly from the accounting software. We inspected system reports that agree to the deposit total.

Exceptions: See above.

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

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

We traced the total of the deposit slip to the deposit on the bank statement for each deposit tested. We noted no exceptions.

Exceptions: None

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

We noted two deposits were not made within one day of collection

Exceptions: See above.

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

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

We noted no exceptions.

Exceptions: None

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

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

We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. There were only three locations on the list.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that: [Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g. mayor of a Lawrason Act municipality); should not be report.]

There were no written employee job duties. We inquired of employees about their job duties.

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

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

Exceptions: None.

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

We noted at least two employees are involved in processing and approving payments to vendors.

Exceptions: None.

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

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

Exceptions: See above.

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

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

We noted the employee responsible for signing checks also mails them.

Exceptions: None.

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

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

We obtained the entity's non-payroll disbursement transaction population and management's representation that the population is complete. We randomly

selected 5 disbursements for each location for a total of 15 total disbursements. We obtained the supporting documentation for each transaction.

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

We noted no exceptions.

Exceptions: None

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

We noted 2 of 15 transactions did not include documentation of segregation of duties.

Exceptions: See above.

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

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

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

We obtained from management a listing of all active credit cards, debit cards, fuel cards, and P-cards for the fiscal period, including the card numbers and the names of the cardholders. We obtained management's representation that the listing is complete.

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

We randomly selected 5 cards from the listing provided by management. We randomly selected one monthly statement for each card and obtained the supporting documentation for each statement selected. We noted one card selected for testing did not have any activity for the year.

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

Two out of four statements included evidence that someone other than the authorized card holder reviewed and approved the statements.

Exceptions: See above.

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

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

We noted no exceptions.

Exceptions: None

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Because there were less than ten transactions on each statement selected, excluding fuel cards, we selected all transactions from each statement. Except for one transaction, we obtained the supporting documentation for all transactions selected.

We were not given documentation of an original itemized receipt for one transaction selected for testing. We noted no other exceptions.

We noted seven of eight transactions tested did not include documentation of the business/public purpose.

We noted no charges for meals on the statements selected.

We did not identify any such control in place by the Town.

Exceptions: See above.

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

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

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

We obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing is complete. We randomly selected 5 reimbursements and obtained the related documentation.

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

We noted four of five reimbursements included amounts reimbursed using a per diem. Of those four, one reimbursement did not appear to agree to the rates established in the State of Louisiana's travel guide. The Mayor authorized a higher rate due to the rate charged for breakfast by the hotel hosting the conference.

Exceptions: See above.

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

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

We noted three of five reimbursements selected included amounts reimbursed using actual costs. We were not given documentation of original itemized receipts for two of those three reimbursements.

Exceptions: See above.

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

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

We noted four of five reimbursements were supported by documentation of the business/public purpose. The Town's policy states that all travel must be approved in advance by the Mayor. However, we were unable to inspect documentation for any of the five reimbursements that indicated that the Mayor had approved the travel beforehand.

Exceptions: See above.

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

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

We noted no exceptions.

Exceptions: None

Contracts

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

We obtained the listing from management, and management's representation that the listing is complete. There were only four contracts initiated or renewed during the fiscal period, therefore all four were selected for testing.

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

None of the selected contracts were subject to the bid law.

Exceptions: None.

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

We were unable to verify board approval for two out of four contracts selected for testing.

Exceptions: See above.

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

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

We did not identify any contracts that were amended during the fiscal period.

Exceptions: None

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

We noted there were no payments during the fiscal year for two of the four contracts selected for testing. For the other two contracts, we agreed the invoice and related payments tested to the contract terms. We noted no exceptions.

Exceptions: None

Payroll and Personnel

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

We obtained the listing, management's representation that the listing is complete, personnel files, and available documentation of related paid salaries.

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

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

We observed that one of the five employees selected was not employed during the test period. One of the five employees, a police officer, was not required to record attendance as per an unwritten policy. The remaining three employees documented their daily attendance.

Exceptions: None.

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

Attendance records for the three employees who documented their daily attendance included evidence of supervisory approval.

Exceptions: None.

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

The attendance and leave records did not indicate any leave was taken during the period. The leave records do reflect leave accrued.

Exceptions: None

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

Management listed no employees receiving a termination payment. However, upon inquiries it was noted that one employee terminated during the year received a termination payment. We obtained the related documentation. We agreed the hours and rates to those due and authorized, respectively. We noted no exceptions.

Exceptions: None

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

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

Exceptions: None.

Ethics

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

We obtained the available ethics documentation.

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

We observed that the documentation demonstrates that two out of five of the selected employees completed one hour of training during the fiscal period.

Exceptions: See above.

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

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

We observed that the documentation demonstrates that three out of five of the selected employees attested through signature verification that he or she has read the entity's ethics policy during the fiscal period. However, the forms are not dated.

Exceptions: See above.

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

Debt Service

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

Management listed no new debt issued during the fiscal period. We obtained management's representation that the listing is complete.

Exceptions: None.

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

Management listed no debt outstanding at the end of the fiscal period. We obtained management's representation that the listing is complete.

Other

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

Management listed no misappropriations.

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

We observed the required notice posted on the Town's website. We were unable to locate the notice posted in Town Hall. However, management posted the notice in our presence.

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

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

BOSCH & STATHAM, LLC

Bosch & Statham

Ruston, Louisiana
December 19, 2019