

TOWN OF OLLA, LOUISIANA

Annual Financial Statements

JUNE 30, 2019

TOWN OF OLLA, LOUISIANA
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INDEPENDENT AUDITOR'S REPORT

The Honorable Rhonda Elliott, Mayor
& Members of the Town Council
Olla, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the discretely presented component unit of the Town of Olla, State of Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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 the discretely presented component unit of the Town of Olla, State of Louisiana, 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.

Emphasis of Matter

As disclosed in the schedules and statements, the total net pension liability for the Town of Olla's Retirement Plan was \$283,402 as of June 30, 2019. The actuarial valuation was based on various assumptions made by the actuaries. Because actual experience may differ from the assumptions used in the actuarial valuations, there is a risk that the net pension liability at June 30, 2019, could be under or overstated.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the schedules of the Town's proportionate share of the net pension liability and the schedules of the Town's contributions 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 Olla's basic financial statements. The Schedule of Compensation Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2019, on our consideration of the Town of Olla, State of Louisiana’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Olla, State Louisiana’s internal control over financial reporting and compliance.

The Vercher Group

Jena, Louisiana

October 3, 2019

TOWN OF OLLA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town, we offer readers of the Town of Olla's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Governmental Funds

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$2,151,024 (*net position*). This is a \$96,683 decrease from last year.
- The Town had total revenue of \$883,315 in which \$236,755 came from fines, \$360,116 came from fees & charges, and \$3,113 came from grants. This is a \$75,028 decrease from last year's revenues, mainly due to a decrease in grants in the amount of \$61,843.
- The Town had total expenditures of \$913,592, which is a \$13,303 decrease from last year. The main cause for this decrease is due to a decrease in debt service expense in the amount of \$88,147.

Enterprise Funds

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,010,194 (*net position*). This is a \$168,929 increase from last year.
- The Town had total revenue of \$817,491, including operating revenues of \$737,854, non-operating revenues of \$2,204 and capital contributions in the amount of \$77,433. This is a \$90,807 decrease from last year, mainly due to a decrease in capital contributions in the amount of \$193,985.
- The Town had total expenses of \$691,251, in which \$668,002 was operating expenses and \$23,249 was non-operating expenses. This is a \$7,548 decrease from last year mainly due to a decrease in operating/administrative sewer expense in the amount of \$56,494.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of two components: 1) fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Town is a special-purpose entity engaged only in governmental activities. Accordingly, only fund financial statements are presented as the basic financial statements.

Effective, January 1, 2004, the Town adopted Governmental Accounting Standards (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*.

FUND FINANCIAL STATEMENTS

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

USING THIS ANNUAL REPORT

The Town's annual report consists of financial statements that show information about the Town's funds, enterprise funds and governmental funds.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the basic financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the Town's Most Significant Funds

The Town's financial statements provide detailed information about the most significant funds. The Town may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. The Town's enterprise fund uses the following accounting approach:

All of the Town's services are reported in an enterprise fund. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

MD&A

GOVERNMENTAL FUNDS

Comparative Statement of Net Position

Assets	2018	2019	% Change
Cash & Investments	\$ 422,572	\$ 398,953	-6.0
Receivables	36,964	25,564	-30.8
Capital Assets, Net of Accumulated Depreciation	2,225,225	2,130,357	-4.3
Total Assets	<u>2,684,761</u>	<u>2,554,874</u>	-4.8
Deferred Outflows of Resources	32,174	10,739	-66.6
Liabilities & Net Position			
Accounts, Salaries, & Other Payables	17,401	24,724	42.1
Accrued Interest	823	421	-48.9
Bonds & Notes Payable	78,000	39,000	-50.0
Net Pension Liability	303,599	283,402	-6.7
Total Liabilities	<u>399,823</u>	<u>347,547</u>	-13.1
Deferred Inflows of Resources	69,405	67,042	-3.4
Net Position			
Net Investment in Capital Assets	2,147,225	2,091,357	-2.6
Unrestricted	100,482	59,667	-40.6
Total Net Position	<u>\$ 2,247,707</u>	<u>\$ 2,151,024</u>	-4.3

Comparative Changes in Fund Balances

Revenues	2018	2019	% Change
Fees & Charges	\$ 357,470	\$ 360,116	0.7
Taxes	52,988	53,013	0.1
Fines	250,699	236,755	-5.6
Donations	9,183	9,683	5.5
Interest	357	859	140.6
Reimbursements	12,139	9,717	-20.0
Rental	207,946	207,556	-0.2
Miscellaneous	2,605	2,503	-3.9
Total Revenues	<u>893,387</u>	<u>880,202</u>	-1.5
Expenditures			
General & Administrative	143,362	118,610	-17.3
Police Expense	275,791	294,632	6.8
Fire	62,729	57,813	-7.8
Street & Sanitation	159,676	135,864	-14.9
Dixie Center	10,354	10,889	5.2
Commercial Building	57,153	193,555	238.7
Recreation Complex	11,229	10,050	-10.5
Debt Service	129,440	41,293	-68.1
Capital Outlay	77,161	50,886	-34.1
Total Expenditures	<u>926,895</u>	<u>913,592</u>	-1.4
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(33,508)</u>	<u>(33,390)</u>	-0.4
Other Financing Sources (Uses):			
Transfers In/(Out)	-0-	-0-	0.0
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	0.0
Capital Contributions	<u>64,956</u>	<u>3,113</u>	-95.2
Net Change in Fund Balance	31,448	(30,277)	-196.3
Prior Period Adjustment	-0-	(12,065)	100.0
Fund Balances – Beginning	410,687	442,135	7.7
Fund Balances – Ending	<u>\$ 442,135</u>	<u>\$ 399,793</u>	-9.6

MD&A

ENTERPRISE FUNDS

Comparative Statement of Net Position

	2018	2019	% Change
Assets			
Cash & Investments	\$ 208,125	\$ 292,059	40.3
Receivables	57,515	63,314	10.1
Restricted Assets	307,478	324,343	5.5
Capital Assets, Net of Accumulated Depreciation	3,003,415	2,982,530	-0.7
Total Assets	<u>3,576,533</u>	<u>3,662,246</u>	2.4
Liabilities and Net Position			
Accounts, Salaries, & Other Payables	8,799	11,988	36.3
Other Liabilities	105,494	61,832	-41.4
Bonds Payable	620,975	578,232	-6.9
Total Liabilities	<u>735,268</u>	<u>652,052</u>	-11.3
Net Position			
Net Investment in Capital Assets	2,382,440	2,404,308	0.9
Restricted For Debt Service	183,076	200,043	9.3
Unrestricted	275,749	405,843	47.2
Total Net Position	<u>\$ 2,841,265</u>	<u>\$ 3,010,194</u>	6.0

Comparative Changes in Net Position

	2018	2019	% Change
Operating Revenues			
Water Sales	\$ 322,640	\$ 332,981	3.2
Sewer Charges	88,029	91,221	3.6
Sales Tax	202,973	293,382	44.6
Other	21,847	20,270	-7.2
Total Operating Revenues	<u>635,489</u>	<u>737,854</u>	16.1
Operating Expenses			
Operating/Administrative Water	250,068	289,441	15.8
Operating/Administrative Sewer	249,859	193,365	-22.6
Depreciation	187,520	185,196	-1.2
Total Operating Expenses	<u>687,447</u>	<u>668,002</u>	-2.8
Operating Income (Loss)	<u>(51,958)</u>	<u>69,852</u>	234.4
Non-Operating Revenues (Expenses)			
Interest Earnings	1,391	2,204	58.5
Interest Expense	(11,352)	(23,249)	104.8
Total Non-Operating Revenues (Expenses)	<u>(9,961)</u>	<u>(21,045)</u>	111.3
Income (Loss) Before Contributions & Transfers	<u>(61,919)</u>	<u>48,807</u>	178.8
Transfers In/(Out)	-0-	-0-	0.0
Capital Contributions	<u>271,418</u>	<u>77,433</u>	-71.5
Change in Net Position	209,499	126,240	-39.8
Prior Period Adjustment	166,360	42,689	-74.3
Total Net Position - Beginning	2,465,406	2,841,265	15.3
Total Net Position - Ending	<u>\$ 2,841,265</u>	<u>\$ 3,010,194</u>	6.0

MD&A

CAPITAL ASSETS

Capital Assets – Governmental Fund

At June 30, 2019, the Town had \$2,130,357 invested in capital assets, including land, buildings, improvement, and equipment. This amount is a \$94,868 decrease from last year.

Capital Assets at Year-End

	2018	2019
General *	\$ 3,103,191	\$ 3,103,938
Police	198,687	238,372
Fire*	580,131	586,502
Street & Sanitation	106,423	106,793
Recreation Complex	409,524	409,524
Accumulated Depreciation	(2,172,731)	(2,314,772)
Total Capital Assets, Net	\$ 2,225,225	\$ 2,130,357

* Land in the amount of \$241,761 is not being depreciated.

Capital Assets – Enterprise Fund

At June 30, 2019, the Town had \$2,982,530 invested in capital assets, including the buildings, sewer system, machinery, and equipment. This amount is a \$20,885 decrease from last year.

Capital Assets at Year-End

	2018	2019
Water & Sewer Systems	\$ 6,879,407	\$ 7,043,718
Accumulated Depreciation	(3,875,992)	(4,061,188)
Total Capital Assets, Net	\$ 3,003,415	\$ 2,982,530

CHANGES IN LONG-TERM DEBT

The following is a summary of bond and installment notes payable transactions of the Town of Olla for the year ended June 30, 2019.

	Balance 6-30-2018	Additions	Reductions	Balance 6-30-2019
Revenue Bonds & Notes (Business-Type Activities)	\$ 621,897	\$ -0-	\$ (43,665)	\$ 578,232
General Obligation Debt (Governmental Activities)	77,000	-0-	(38,000)	39,000
Total	\$ 698,897	\$ -0-	\$ (81,665)	\$ 617,232

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show that the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact Mayor Rhonda Elliott at the Town Hall, phone number (318) 495-5151.

BASIC FINANCIAL STATEMENTS

TOWN OF OLLA, LOUISIANA
Statement of Net Position
June 30, 2019

	PRIMARY GOVERNMENT			Component Unit Cemetery Board
	Governmental Activities	Business-Type Activities	Total	
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 383,644	\$ 281,520	\$ 665,164	\$ 12,892
Investments	15,309	10,539	25,848	193,500
Receivables, Net of Allowances	25,564	63,314	88,878	-0-
TOTAL CURRENT ASSETS	<u>424,517</u>	<u>355,373</u>	<u>779,890</u>	<u>206,392</u>
NON-CURRENT ASSETS				
Restricted Assets	-0-	324,343	324,343	-0-
Capital Assets, Net of Accumulated Depreciation	2,130,357	2,982,530	5,112,887	-0-
TOTAL NON-CURRENT ASSETS	<u>2,130,357</u>	<u>3,306,873</u>	<u>5,437,230</u>	<u>-0-</u>
TOTAL ASSETS	<u>2,554,874</u>	<u>3,662,246</u>	<u>6,217,120</u>	<u>206,392</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows – Municipal Employees’ Pension	1,628	-0-	1,628	-0-
Deferred Outflows – Municipal Police Pension	9,111	-0-	9,111	-0-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>10,739</u>	<u>-0-</u>	<u>10,739</u>	<u>-0-</u>
CURRENT LIABILITIES				
Accounts, Salaries, & Other Payables	24,724	11,988	36,712	-0-
TOTAL CURRENT LIABILITIES	<u>24,724</u>	<u>11,988</u>	<u>36,712</u>	<u>-0-</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Customer Deposits	-0-	57,155	57,155	-0-
Accrued Interest Payable	421	4,677	5,098	-0-
Current Bonds & Notes Payable	39,000	45,998	84,998	-0-
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>39,421</u>	<u>107,830</u>	<u>147,251</u>	<u>-0-</u>
NON-CURRENT LIABILITIES				
Bonds & Notes Payable	-0-	532,234	532,234	-0-
Net Pension Liabilities	283,402	-0-	283,402	-0-
TOTAL NON-CURRENT LIABILITIES	<u>283,402</u>	<u>532,234</u>	<u>815,636</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>347,547</u>	<u>652,052</u>	<u>999,599</u>	<u>-0-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows – Municipal Employees’ Pension	21,515	-0-	21,515	-0-
Deferred Inflows – Municipal Police Pension	45,527	-0-	45,527	-0-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>67,042</u>	<u>-0-</u>	<u>67,042</u>	<u>-0-</u>
NET POSITION				
Net Investment in Capital Assets	2,091,357	2,404,308	4,495,665	-0-
Restricted	-0-	200,043	200,043	-0-
Unrestricted	59,667	405,843	465,510	206,392
TOTAL NET POSITION	<u>\$ 2,151,024</u>	<u>\$ 3,010,194</u>	<u>\$ 5,161,218</u>	<u>\$ 206,392</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2019

	PROGRAM REVENUES					NET (EXPENSE) REVENUE & CHANGES			Component Unit
	Expenses	Charges For Services	Capital Grants & Contributions	Operating Grants & Contributions	Net (Expense) Revenue	Governmental Activities	Business-Type Activities	Total	
GOVERNMENTAL ACTIVITIES									
General Government	\$ (198,967)	\$ 129,574	\$ 3,000	\$ -0-	\$ (66,393)	\$ (66,393)	\$ (66,393)	\$ (66,393)	\$ 5,347
Police	(304,845)	371	-0-	-0-	(304,474)	(304,474)	(304,474)	(304,474)	-0-
Fire	(85,038)	84,438	-0-	-0-	(600)	(600)	(600)	(600)	-0-
Streets & Sanitation	(141,627)	145,723	-0-	-0-	4,096	4,096	4,096	4,096	-0-
Dixie Center	(10,889)	-0-	-0-	-0-	(10,889)	(10,889)	(10,889)	(10,889)	-0-
Commercial Building	(193,555)	-0-	-0-	-0-	(193,555)	(193,555)	(193,555)	(193,555)	-0-
Recreation Complex	(38,901)	10	113	-0-	(38,778)	(38,778)	(38,778)	(38,778)	-0-
Interest on Long-Term Debt	(3,293)	-0-	-0-	-0-	(3,293)	(3,293)	(3,293)	(3,293)	-0-
TOTAL GOVERNMENTAL ACTIVITIES	<u>(977,115)</u>	<u>360,116</u>	<u>3,113</u>	<u>-0-</u>	<u>(613,886)</u>	<u>(613,886)</u>	<u>(613,886)</u>	<u>(613,886)</u>	<u>5,347</u>
BUSINESS-TYPE ACTIVITIES									
Water & Sewer	(668,002)	424,202	77,433	-0-	(166,367)		\$ (166,367)	(166,367)	-0-
Interest on Long-Term Debt	(23,249)	-0-	-0-	-0-	(23,249)		(23,249)	(23,249)	-0-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>(691,251)</u>	<u>424,202</u>	<u>77,433</u>	<u>-0-</u>	<u>(189,616)</u>		<u>(189,616)</u>	<u>(189,616)</u>	<u>-0-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ (1,668,366)</u>	<u>\$ 784,318</u>	<u>\$ 80,546</u>	<u>\$ -0-</u>	<u>\$ (803,502)</u>			<u>(803,502)</u>	<u>5,347</u>
			GENERAL REVENUES:						
			Fines & Penalties			236,755	-0-	236,755	-0-
			Taxes			53,013	293,382	346,395	-0-
			Donations			9,683	-0-	9,683	-0-
			Fees			-0-	-0-	-0-	-0-
			Reimbursements			9,717	-0-	9,717	-0-
			Investment Earnings			859	2,204	3,063	-0-
			Other General Revenues			217,839	20,270	238,109	6,802
			TRANSFERS IN/(OUT)			-0-	-0-	-0-	-0-
			TOTAL GENERAL REVENUES & TRANSFERS			<u>527,866</u>	<u>315,856</u>	<u>843,722</u>	<u>6,802</u>
			CHANGE IN NET POSITION			(86,020)	126,240	40,220	1,455
			PRIOR PERIOD ADJUSTMENT			(10,663)	42,689	32,026	-0-
			NET POSITION-BEGINNING			2,247,707	2,841,265	5,088,972	204,937
			NET POSITION-ENDING			<u>\$ 2,151,024</u>	<u>\$ 3,010,194</u>	<u>\$ 5,161,218</u>	<u>\$ 206,392</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Balance Sheet, Governmental Funds
June 30, 2019

	<u>GENERAL FUND</u>
ASSETS	
Cash & Cash Equivalents	\$ 383,644
Investments	15,309
Receivables (Net of Allowances for Uncollectible)	<u>25,564</u>
TOTAL ASSETS	<u><u>424,517</u></u>
 LIABILITIES & FUND BALANCE	
LIABILITIES	
Accounts, Salaries, & Other Payables	<u>24,724</u>
TOTAL LIABILITIES	<u><u>24,724</u></u>
 FUND BALANCE	
Committed-Fire	69,058
Unassigned	<u>330,735</u>
TOTAL FUND BALANCE	<u><u>399,793</u></u>
 TOTAL LIABILITIES & FUND BALANCE	 <u><u>\$ 424,517</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Reconciliation of the Government Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balance, Total Governmental Funds (Statement C)		\$ 399,793
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	Capital Assets Accum. Depr.	4,445,129 <u>(2,314,772)</u>
		2,130,357
Deferred outflows and inflows are not financial resources or currently payable.	Outflows Inflows	10,739 <u>(67,042)</u>
		(56,303)
Long-term liabilities including bonds payable and accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds.	Bonds Payable Accrued Interest	(39,000) <u>(421)</u>
		(39,421)
Long-term net pension liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		<u>(283,402)</u>
		(283,402)
Net Position of Governmental Activities (Statement A)		\$ <u>2,151,024</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Revenues, Expenditures &
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

		<u>GENERAL FUND</u>
REVENUES		
Fees & Charges	\$	360,116
Taxes		53,013
Fines		236,755
Donations		9,683
Interest		859
Reimbursements		9,717
Rental		207,556
Capital Grants		3,113
Miscellaneous		2,503
TOTAL REVENUES		<u>883,315</u>
 EXPENDITURES		
General & Administrative		118,610
Police Expense		294,632
Fire		57,813
Street & Sanitation		135,864
Dixie Center		10,889
Commercial Building		193,555
Recreation Complex		10,050
Debt Service		41,293
Capital Outlay		50,886
TOTAL EXPENDITURES		<u>913,592</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		 <u>(30,277)</u>
 OTHER FINANCING SOURCES (USES):		
Transfers In/(Out)		<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)		<u>-0-</u>
 NET CHANGE IN FUND BALANCE		 (30,277)
 PRIOR PERIOD ADJUSTMENT		 (12,065)
 FUND BALANCES--BEGINNING		 <u>442,135</u>
FUND BALANCES--ENDING	\$	<u><u>399,793</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures,
& Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total governmental Funds, Statement E		\$	(30,277)
Governmental funds report capital outlays as expenditure. 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 capital outlays exceeded depreciation in the current period.	Capital Purchases		47,173
	Depreciation Exp		<u>(142,041)</u>
			(94,868)
The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	Bond Issuance		-0-
	Principal Paid		<u>38,000</u>
			38,000
Net pension is reported in governmental funds as expenditure as they are paid; however, in the statement of activities the net pension expense is reported according to estimates required by GASB 68. This the amount that the pension estimate defers from pension expenses paid in the current year.	Net Pension Expenses		(6,647)
	Pension Revenue		<u>7,772</u>
			1,125
Changes in Net Position of Governmental Activities, Statement B		\$	<u>(86,020)</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Net Position, Proprietary Funds
June 30, 2019

		BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS (Major Enterprise Funds) WATER & SEWER FUND
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	\$	281,520
Investments		10,539
Receivables (Net of Allowances for Uncollectible)		63,314
TOTAL CURRENT ASSETS		355,373
NON-CURRENT ASSETS		
Restricted Assets		324,343
Capital Assets (Net of Accumulated Depreciation)		2,982,530
TOTAL NON-CURRENT ASSETS		3,306,873
TOTAL ASSETS		3,662,246
LIABILITIES		
CURRENT LIABILITIES		
Accounts, Salaries, & Other Payables		11,988
TOTAL CURRENT LIABILITIES		11,988
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer Deposits		57,155
Accrued Interest Payable		4,677
Revenue Bonds Payable		45,998
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		107,830
NON-CURRENT LIABILITIES		
Revenue Bonds		532,234
TOTAL NON-CURRENT LIABILITIES		532,234
TOTAL LIABILITIES		652,052
NET POSITION		
Net Investment in Capital Assets		2,404,308
Restricted for Debt Service		200,043
Unrestricted		405,843
TOTAL NET POSITION	\$	3,010,194

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
June 30, 2019

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS (Major Enterprise Funds)
	TOTAL ENTERPRISE FUNDS
OPERATING REVENUES	
Water Sales	\$ 332,981
Sewer Charges	91,221
Sales Tax	293,382
Other	20,270
TOTAL OPERATING REVENUES	737,854
OPERATING EXPENSES	
Operating/Administrative Water	289,441
Operating/Administrative Sewer	193,365
Depreciation	185,196
TOTAL OPERATING EXPENSES	668,002
OPERATING INCOME (LOSS)	69,852
NONOPERATING REVENUES (EXPENSES)	
Interest Earnings	2,204
Interest Expense	(23,249)
TOTAL NONOPERATING REVENUES (EXPENSES)	(21,045)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	48,807
OTHER FINANCING SOURCES (USES)	
Transfers In/(Out)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	-0-
CAPITAL CONTRIBUTIONS	77,433
CHANGE IN NET POSITION	126,240
PRIOR PERIOD ADJUSTMENT	42,689
TOTAL NET POSITION - BEGINNING	2,841,265
TOTAL NET POSITION - ENDING	\$ 3,010,194

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Cash Flows
Proprietary Funds
June 30, 2019

	ENTERPRISE FUND WATER & SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers, Users, & Taxes	\$ 732,055
Payments to Suppliers & Employees	(480,590)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	251,465
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from (to) Other Funds	-0-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-0-
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Receipts from Capital Grants	77,433
Interest Paid on Capital Debt	(23,249)
Principal Paid on Revenue Bonds	(42,743)
Proceeds from Bonds	-0-
Acquisition & Construction of Capital Assets	(164,311)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(152,870)
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) Decrease in Restricted Assets	(16,865)
Interest & Dividends Received	2,204
(Increase) Decrease In Investments	-0-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(14,661)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	83,934
CASH - BEGINNING OF YEAR	197,586
CASH - END OF YEAR	281,520
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
OPERATING INCOME/(LOSS)	69,852
Depreciation Expense	185,196
(Increase) Decrease in Accounts Receivable	(5,799)
Increase (Decrease) in Accounts Payables	3,189
Increase (Decrease) in Customer Deposits	758
Increase (Decrease) in Accrued Interest	(1,731)
TOTAL ADJUSTMENTS	181,613
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 251,465

The accompanying notes are an integral part of this statement.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Olla was incorporated under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Alderman form of government. The Town provides the following significant services to its residents as provided by its charter: public safety (police and fire), highways and streets, utilities (water, gas and sewer services), and general administrative functions, including coordination of related services with parish, state, and federal governing bodies.

The accounting and reporting policies of the Town of Olla conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

Reporting Entity

The Town is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements present the Town (the primary government) and its component units, entities for which the government is considered to be financially accountable.

Component units are organizations for which the Town is financially accountable and all other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the Town appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. The Town may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the Town. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the Town, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the Town.

The Cemetery Board

The Cemetery Board was created to manage and maintain the Olla Cemetery. The board members are appointed by the Town of Olla, Louisiana and utilize the Town's facilities and assets. Therefore, the Cemetery Fund is considered a component unit of the Town of Olla, Louisiana.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The following is a summary of certain significant accounting policies:

A. GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, & FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality'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 municipality reports the following major proprietary funds:

- Water and Sewer Fund

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for services and sales taxes. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the town's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned amounts are available for use, it is the town's policy to use committed first, assigned next and unassigned last.

C. EQUITY CLASSIFICATIONS

In the government-wide financial statements, equity is classified as Net Position and displayed in three components as applicable. The components are as follows:

Net Investment in Capital Assets - Capital assets including restricted capital assets, when applicable, net of accumulated depreciation.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Restricted Net Position - Net position with constraints placed on their 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 legislation.

Unrestricted Net Position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

When an expense is incurred for the purposes for which both restricted and unrestricted net position is available, management applies restricted resources first. The policy concerning which to apply first varies with the intended use and legal requirements. The decision is typically made by management at the incurrence of the expense.

In the Fund Financial Statements, governmental fund equity is classified as a fund balance. The District has implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the purposes for which resources can be used:

- a. Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- b. Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- c. Committed fund balance – amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- d. Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

D. FIXED ASSETS & LONG-TERM LIABILITIES

For the year ended June 30, 2019, no interest costs were capitalized for construction of fixed assets.

Depreciation of all exhaustible fixed assets is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet and governmental fund statement of activities. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

	Life In Years
Water System	40
Sewer System	40
Buildings	40
Equipment	5-10

The office has a capitalization policy of \$2,500.

E. CASH & INVESTMENTS

All cash and investments (CD's over 90 days) are reported at cost and are on deposit at federally insured banks.

It is the Town's policy for deposits to be 100% secured by collateral at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at fiscal year-end. All deposits were secured at the year-end. The categories are described as follows:

- *Category 1* – Insured or collateralized with securities held by the Town or by its agent in the Town's name.
- *Category 2* – Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- *Category 3* – Uncollateralized.

	Southern Heritage	Catahoula/ LaSalle	Concordia Bank	Total
Bank Balances	\$ 848,643	\$ 131,998	\$ 31,659	\$ 1,012,300
<i>Secured As Follows</i>				
FDIC (<i>Category 1</i>)	370,201	131,998	31,659	533,858
Securities (<i>Category 2</i>)	703,405	-0-	-0-	703,405
Uncollateralized (<i>Category 3</i>)	-0-	-0-	-0-	-0-
Total	\$ 1,073,606	\$ 131,998	\$ 31,659	\$ 1,237,263

Deposits were fully secured as of June 30, 2019.

The Cemetery Board (Component Unit) holds the following investments:

	Value At 6-30-2019
CD's	\$ 190,712
33 Shares of First Energy at \$42.81	1,413
60 Shares of Pacific Gas at \$22.92	1,375
Total	\$ 193,500

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. 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.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Entity that the fiscal agent bank has failed to pay deposit funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Entity's name.

F. INVENTORIES

Immaterial amounts of inventory are maintained for general fund and enterprise fund operations and, accordingly, these supplies are expensed as purchased.

G. ACCOUNTS RECEIVABLE & BAD DEBTS – GENERAL FUND & ALLOWANCE FOR BAD DEBTS – ENTERPRISE FUND

At June 30, 2019 the receivables were as follows:

	Enterprise Fund	Governmental Fund
	Water & Sewer Fund	General Fund
Tax & License	\$ 21,594	\$ 6,734
Customer	82,660	18,830
Grants	-0-	-0-
Allowance for Bad Debts	(40,940)	-0-
Total	\$ 63,314	\$ 25,564

H. COMPENSATED ABSENCES

The Town has no compensated absence policy.

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

I. RESTRICTED NET POSITION

The Town records restricted assets to indicate that a portion of its net position balances are legally restricted for a specific future use. The following is a list of such restrictions and a description of each:

Restricted for System Maintenance

This amount represents monies restricted for repairs and replacement of the water system.

Restricted - Revenue Bonds

This amount represents monies restricted as required by the revenue bond indentures.

Restricted for Debt Service

Certain assets have been restricted in the Debt Service Fund for future payment of long-term liabilities of the governmental funds.

2. AD VALOREM TAXES

The Town levies taxes on real and business personal property located within its boundaries. The Town utilizes the services of the LaSalle Parish Tax Assessor to assess the property values and prepare the Town's property tax roll. The Town bills and collects its own property taxes.

Property Tax Calendar

Assessment Date	January 1
Levy Date	No Later Than June 1
Tax Bills Mailed	On or About October 15
Total Taxes Are Due	December 31
Penalties and Interest are Added	January 1
Lien Date	January 1

For the year ended June 30, 2019, taxes of 6.92 mills were levied against property having a valuation of some \$6,491,060, which produced some \$44,918 in revenue.

Ad Valorem Taxes are broken down as follows:

	<u>Mills</u>
General Alimony	<u>6.92</u>

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

3. SALES TAX

Levying within Town of Olla, State of Louisiana, a one percent (1%) sales and use tax, upon the sale at retail, the use, the lease or rental, the consumption, and the storage for use or consumption, of tangible personal property and on the sales of services; levying and providing for the assessment, collection, payment and dedication of such tax and the purpose for which the proceeds of said tax may be expended, said tax having been authorized at a special election held in the Town on Saturday, November 18, 1995.

4. RESTRICTED ASSETS - PROPRIETARY FUND TYPES

At June 30, 2019, restricted assets of the Enterprise Funds were invested in either interest bearing checking accounts or time deposits and were restricted for the following purposes:

	Water	Sewer	
Bond Sinking/Reserve	\$ 97,468	\$ 119,399	
Meter Deposit	73,625	-0-	
Depreciation & Contingencies	11,341	22,510	
Total	\$ 182,434	\$ 141,909	

5. FIXED ASSETS

Governmental Fund:

A summary of governmental fund assets at June 30, 2019, is as follows:

	Balance 6-30-2018	Additions	Deletions	Balance 6-30-2019
General/Administrative *	\$ 3,103,191	\$ 4,460	\$ (3,713)	\$ 3,103,938
Police	198,687	39,685	-0-	238,372
Fire *	580,131	6,371	-0-	586,502
Street & Sanitation	106,423	370	-0-	106,793
Recreation Complex	409,524	-0-	-0-	409,524
Total Capital Assets	4,397,956	50,886	(3,713)	4,445,129
Accumulated Depreciation	(2,172,731)	(142,475)	434	(2,314,772)
Total Capital Assets, Net	\$ 2,225,225	\$ (91,589)	\$ (3,279)	\$ 2,130,357

* Land in the amount of \$241,761 is not being depreciated.

Property Enterprise Fund:

A summary of enterprise fund property, plant and equipment at June 30, 2019, is as follows:

	Balance 6-30-2018	Additions	Deletions	Balance 6-30-2019
Water & Sewer Systems	\$ 6,879,407	\$ 164,311	\$ -0-	\$ 7,043,718
Accumulated Depreciation	(3,875,992)	(185,196)	-0-	(4,061,188)
Total Capital Assets, Net	\$ 3,003,415	\$ (20,885)	\$ -0-	\$ 2,982,530

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

6. CHANGES IN LONG-TERM DEBT

The following is a summary of bond and installment notes payable transactions of the Town of Olla for the year ended June 30, 2019.

	Balance 6-30-2018	Additions	Reductions	Balance 6-30-2019
Revenue Bonds & Notes (Business-Type Activities)	\$ 621,897	\$ -0-	\$ (43,665)	\$ 578,232
General Obligation Debt (Governmental Activities)	77,000	-0-	(38,000)	39,000
Total	\$ 698,897	\$ -0-	\$ (81,665)	\$ 617,232

Bonds and installment notes payable at June 30, 2019, are comprised of the following individual issues:

Revenue Bonds (Enterprise Fund)

\$346,000 Sales Tax Revenue Bonds dated 8-1-11; due in annual installments of \$18,405 to \$32,927 through August 1, 2029; interest at 4.5%. \$ 199,000

\$115,000 Water Revenue Bonds Dated 4/01/13 through 10/01/2027; due in annual installments of \$10,976 to \$10,857 and interest on \$97,750 at 5% and interest on \$17,250 at 0.0%. 79,943

\$479,985 Water Revenue Bonds dated 07/01/2014-01/01/2034 due in annual installments of \$20,266.68-\$24,354.00 at 2.95% interest on \$350,000.00 and 5% on \$85,000.00; due in annual installments of \$13,250 - \$17,250. 299,289

General Obligation Note (Governmental Activities)

\$200,000 General Revenue Bonds dated 4/26/10 through 4/1/20 at 4.5% interest on \$170,000 payable \$18,403 to \$24,540 annually and 0.0% interest on \$30,000 payable \$6,000 annually to April 2015. 24,000

\$100,000 Fire Dept Bonds Series 2013 dated 03/15/2013 through 04/01/2020; due in annual installments of \$16,374 to \$16,608; interest of 3.8% on \$85,000 and 0.0% on \$15,000. 15,000

Total **\$ 617,232**

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

The annual requirements to amortize all debt outstanding as of June 30, 2019, including interest payments, are as follows:

Year Ending June 30,	Sales Tax Revenue Bonds	\$200,000 General Revenue Bonds	\$115,000 Water Revenue Bonds	\$100,000 Fire Dept Bonds	\$435,000 Water Revenue Bonds	Total
2020	\$ 31,450	\$ 25,115	\$ 10,690	\$ 16,608	\$ 26,325	\$ 110,188
2021	31,438	-0-	10,682	-0-	25,773	67,893
2022	31,380	-0-	10,673	-0-	26,221	68,274
2023	31,278	-0-	10,664	-0-	25,635	67,577
2024	18,423	-0-	10,654	-0-	26,045	55,122
2025-2029	95,191	-0-	42,509	-0-	128,617	266,317
2030-2034	19,215	-0-	-0-	-0-	129,690	148,905
2035-2037	-0-	-0-	-0-	-0-	-0-	-0-
	<u>\$ 258,375</u>	<u>\$ 25,115</u>	<u>\$ 95,872</u>	<u>\$ 16,608</u>	<u>\$ 388,306</u>	<u>\$ 784,276</u>

Under the terms of the bond indenture on outstanding Water Revenue Bonds dated December 4, 1979, earnings of the waterworks system are to be maintained separately and used for the following purposes:

- (a) Payment of all reasonable and necessary expenses of operating and maintaining the system.
- (b) Each month there will be set aside into a fund called the "Waterworks Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the next principal and interest payment.
- (c) Each month, there will be set aside into a "Waterworks Reserve Fund" 5% of the amount paid into the Sinking Fund until such time as there has been accumulated there in the sum of \$18,750. These funds may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not available in the Sinking Fund. As of June 30, 2010 the Town of Olla had set aside the maximum required amount into this "Waterworks Reserve Fund".
- (d) There will also be set aside into a "Waterworks Depreciation and Contingency Fund" \$63 per month. These funds will be used to care for depreciation, extensions, additions, improvements and replacements necessary to operate the system properly, and to pay interest and principal on bonds when there is not sufficient money in the Sinking or Reserve Fund.
- (e) All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful purpose.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Under the terms of the bond indenture on outstanding Sales Tax Revenue Bonds dated March 10, 2011, the following funds are to be established and/or maintained by the Town pursuant to the Bond Ordinance:

- the “Sales Tax Account” (the Sales Tax Fund”); and
 - the “Sales Tax Refunding Bond and Interest Sinking Fund” (the “Sinking Fund”).
- (a) As more fully provided in the ordinance authorizing the levy of the Tax, all of the avails or proceeds of the Tax shall be deposited from time to time as the same may be collected in the Sales Tax Fund, a separate and special bank account established and maintained by the Town with the regularly designated fiscal agent of the Town, pursuant to the Bond Ordinance. Out of the proceeds of the Tax on deposit in the Sales Tax Fund, after the reasonable and necessary costs of collecting and administering the Tax have been paid, moneys are to be transferred to the Sinking Fund as provided in the Bond Ordinance.
- (b) The Sinking Fund will each be used by the Town with respect to the Bonds and any pari passu additional bonds which may be hereafter issued by the Town pursuant to the terms of the Bond Ordinance (“Additional Parity Bonds”). For the purposes of this arbitrage certificate, all references to the Sinking Fund shall be deemed to refer only to that portion of the fund which is allocable to the bonds and not to any moneys in said fund which are to be used with respect to any additional parity bonds which may be hereafter issued. However, until the issuance of any Additional Parity Bonds, all moneys in the Sinking Fund are allocable to the Bonds.
- (c) The Sinking Fund is designed to achieve a proper matching of revenues and debt service on the Bonds as shown on Exhibit A hereto, and any additional Parity Bonds within each Bond Year. For purposes of this Non-Arbitrage Certificate and compliance with the Arbitrage Regulations “Bond Year” shall mean the 1-year period ending on each principal payment date, which is August 1 of each year. Amounts transferred from the Sales Tax Fund and deposited in the Sinking Fund will be applied to the payment of principal or interest on the bonds payable there from in the year of their receipt. All other amounts deposited in the Sinking Fund will be depleted at least once each Bond Year, except for a reasonable carryover amount which will not exceed the greater of (i) the earnings on the Sinking Fund for the immediately preceding Bond Year, or (ii) 1/12 of the principal and interest payments on the Bonds and any Additional Parity Bonds for the immediately preceding Bond Year. Under the Bond Ordinance, the Issuer is required to make monthly deposits into the Sinking Fund, as shown on Exhibit B hereto, in such a manner as to accumulate in such fund the amounts payable on the bonds payable there from on any interest payment date. It is not expected that any amounts will remain in the Sinking Fund after all payments in a Bond Year have been made there from.

Under the certificates of indebtedness series 2010 and series 2013, a sinking fund shall be established with a requirement that 1/12 of the annual debt service (approximately \$3,458) of both series will be deposited into a “sinking fund” each month for the purpose of servicing or paying the annual principal and interest of such indebtedness.

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

Under the certificates of indebtedness series 2013, Public Improvement Bonds, a sinking fund shall be established with a requirement that 1/12 of the annual debt service (approximately \$7,320) of the series will be deposited into a “sinking fund” each month for the purpose of servicing or paying the annual principal and interest of such indebtedness.

At June 30, 2019, the Enterprise Fund Net Position were restricted for the purposed noted above as follows:

Revenue Bond Reserve Funds	\$ 250,718
Current Bonds Payable and Accrued Interest	<u>(50,675)</u>
Total Restricted Net Position	<u>\$ 200,043</u>

7. PENSION PLAN

Substantially all employees of the Town of Olla are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters' Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustee. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

The Municipal Employees' Retirement System prepares its employer schedules in accordance with the Governmental Accounting Statement No. 68 – *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures. It identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. It also provides methods to calculate participating employer's proportionate share of net pension liability, deferred inflows, deferred outflows, pension expense and amortization periods for deferred inflows and deferred outflows.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Municipal Employees' Retirement System's employer schedules are prepared using the accrual basis of accounting. Employer contributions, for which the employer allocations are based, are recognized in the period in which the employee is compensated for services performed.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

B. Plan Fiduciary Net Position

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues, and expenses, were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimated and assumptions primarily related to actuarial valuations or unsettled transactions and events as of the date of the financial statements and estimates in the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts.

C. System Employees

The System is not allocated a proportionate share of the net liability related to its employees. The net pension liability attributed to the System's employees is allocated to the remaining employers based on their respective employer allocation percentage.

D. Use of Estimates

The preparation of schedules of employer allocations and pension amounts by employer in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from these estimates.

NOTE 2 – PLAN DESCRIPTION

The System is administered by a Board of Trustees composed of eleven members, three of whom shall be active and contributing members of the System with at least ten years credible service and who are elected to office in accordance with the Louisiana Election Code, three of whom shall be active and contributing members of the System with at least ten years credible service and who are not elected officials; one of whom shall be president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; and one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana; the commissioner of administration, who shall be a nonvoting member; and the State Treasurer, who shall be a nonvoting member.

The System is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was established and provided for by R.S. 11:1731 of the Louisiana Revised Statutes (LRS).

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

Plan Membership

For the year ended June 30, 2018, there were 86 contributing municipalities in Plan A and 69 in Plan B. At June 30, 2018, statewide retirement membership consist of the following:

	Plan A	Plan B	Total
Inactive plan members or beneficiaries receiving benefit	3,468	1,050	4,518
Inactive plan members entitled to but not yet receiving benefits	3,179	1,511	4,690
Active plan members	4,888	2,128	7,016
Total participants as of the valuation date	11,535	4,689	16,224

Plan eligibility and benefits are as follows:

A. Eligibility Requirements

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

Any person eligible for membership whose first employment making him eligible for membership in the System occurred on or after January 1, 2013, shall become a member of the MERS Plan A Tier 2 or MERS Plan B Tier 2 of the System as a condition of employment.

B. Retirement Benefits

Benefit provisions are authorized within Act 356 of the 1954 regular session and amended by LRS 11:1756 - 11:1785. The following brief description of the plan and its benefits is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Any member of Plan A who commenced participation in the System prior to January 1, 2013 can retire providing he meets one of the following criteria:

1. Any age with twenty-five or more years of creditable service.
2. Age 60 with a minimum of ten years of creditable service.
3. Any wage with a minimum of five years of creditable service eligible for disability benefits.
4. Survivor's benefits require five or more years credible service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. An additional regular retirement benefit can be received for any city marshal or deputy city marshal.

Any member of Plan A Tier 2 can retire providing he meets one of the following requirements:

1. Age 67 with seven years of creditable service.
2. Age 62 with ten years of creditable service.
3. Age 55 with thirty years of creditable service.
4. Any age with twenty-five years of creditable service with an actuarially reduced early benefit.
5. Survivor's benefits require five or more years of creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).

Generally, the monthly amount of retirement allowance for any member of Plan A Tier 2 shall consist of an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Any city marshal or deputy city marshal shall receive an additional regular benefit computed on supplemental marshal's earnings. See Plan booklet for further details.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Any member of Plan B who commenced participation in the System prior to January 1, 2013 can retire providing he meets one of the following criteria:

1. Any age with thirty years of creditable service.
2. Age 60 with 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.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Any member of Plan B Tier 2 shall be eligible for retirement if he meets one of the following requirements:

1. Seven years or more of service, at age 67 or thereafter.
2. Ten years or more of service, at age 62 or thereafter.
3. Thirty years or more of service, at age 55 or thereafter.
4. Twenty-five years of service credit at any age, exclusive of military service and unused annual sick leave.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

C. Survivor Benefits

Upon death of any member of Plan A with five or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Any member of Plan A who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Upon death of any member of Plan B with five or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

1. Surviving spouse who is married no less than twelve months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of 60 years old or becomes disabled and payable for as long as the surviving spouse lives, or
2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty percent benefit payable when the surviving spouse attains the age of 60.

Any member of Plan B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Any member of Plan A or Plan B who had not withdrawn their accumulated contributions and had at least twenty years of service credit at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

D. Drop Benefits

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or Plan B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during the participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

the three years, payments into the DROP fund cease and the person resumes active service contributing membership in the System.

E. Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State of Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service, whichever is greater, or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, in which he would receive a regular retirement benefit under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater, or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

F. Cost of Living Increases

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant additional cost of living increases to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

G. Deferred Benefits

Both Plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 – CONTRIBUTIONS

Contributions for all members are established by statute. Member contributions are at 9.50% of earnable compensation for Plan A and 5.00% of earnable compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating municipality.

According to state statute, contributions for all employers are actuarially determined each year. For the year ended June 30, 2018, the employer contribution rate was 24.75% of member's earnings for Plan A. For the year ended June 30, 2018, the employer contribution rate was 13.25% of member's earnings for Plan B.

According to state statute, the System also receives one-fourth of 1% of ad valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. Tax monies received from East Baton Rouge Parish are apportioned between the Municipal Employee's Retirement System and the Employee's Retirement System of the City of Baton Rouge. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contribution entities.

Administrative costs of the System are financed through employer contributions.

NOTE 4 – SCHEDULE OF EMPLOYER ALLOCATIONS

The schedule of employer allocations reports the employer contributions in addition to the employer allocation percentage. The employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System of Louisiana. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

The allocation method used in determining each employer's proportion was based on the employer's contribution effort to the plan for the current fiscal year as compared to the total of all employers' contribution effort was based on actual employer contributions made to the Retirement System for the fiscal year ended June 30, 2018.

NOTE 5 – SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

The schedule of pension amounts by employer displays each employer's allocation of the net pension liability, the various categories of deferred outflows of resources, the various categories of deferred inflows of resources, and the various categories of pension expenses. The schedule of pension amounts by employer was prepared using the allocations included in the schedule of employer allocations.

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 6 – DISAGGREGATED PENSION AMOUNTS

	Amounts from the 2017 Employer Pension Report	2018 Employer Specific Amounts	2018 Total Pension Amounts
Net Pension Liability	\$ 23,367	\$ -0-	\$ 23,367
<i>Deferred Outflows of Resources Related to Pensions:</i>			
Deferred Outflows - Differences b/w Expected & Actual Experience	\$ 946	\$ -0-	\$ 946
Deferred Outflows - Difference b/w Projected & Actual Investment Earnings	38,050	-0-	38,050
Deferred Outflows - Changes of Assumptions	7,951	-0-	7,951
Deferred Outflows - Changes in Proportion & Diff. b/w Actual & Proportionate Contr.'s	2,465	52	2,517
Deferred Outflows - Contributions Subsequent to Measurement Date	-0-	19,680	19,680
<i>Deferred Inflows of Resources Related to Pensions:</i>			
Deferred Inflows - Differences b/w Expected & Actual Experience	\$ 3,921	\$ -0-	\$ 3,921
Deferred Inflows - Difference b/w Projected & Actual Investment Earnings	-0-	-0-	-0-
Deferred Inflows - Changes of Assumptions	-0-	-0-	-0-
Deferred Inflows - Changes in Proportion & Diff. b/w Actual & Proportionate Contr.'s	23,058	-0-	23,058
Pension Expense	\$ 33,025	\$ (3)	\$ 33,022
Revenue	\$ 5,415	\$ -0-	\$ 5,415

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 7 – ACTUARIAL METHODS AND ASSUMPTIONS

Net Pension Liability

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The components of the net pension liability of the System's employers for Plan A as of June 30, 2018 are as follows:

		Plan A June 30, 2018
Total pension liability	\$	<u>1,148,293,981</u>
Plan fiduciary net position		<u>734,226,194</u>
Employer's net pension liability	\$	<u>414,067,787</u>
Plan fiduciary net position as a % of the total pension liability		63.94%

The components of the net pension liability of the System's employers for Plan B as of June 30, 2018 are as follows:

		Plan B June 30, 2018
Total pension liability	\$	<u>245,867,981</u>
Plan fiduciary net position		<u>161,284,802</u>
Employer's net pension liability	\$	<u>84,583,179</u>
Plan fiduciary net position as a % of the total pension liability		65.60%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future.

The actuarial assumptions used in the June 30, 2017 valuation was based on the results of an experience study, for the period July 2009 through June 30, 2014.

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

Information on the actuarial valuation and assumptions is as follows:

	<u>June 30, 2018</u>
Valuation Date	June 30, 2018
Actuarial cost method	Entry age normal cost
Expected remaining service lives	3 years
Investment rate of return	7.275%
Inflation rate	2.6%
Salary increases, including inflation and merit increases	5.0%
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.

Discount Rate

The long-term 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 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:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.2%
Public fixed income	35%	1.5%
Alternatives	<u>15%</u>	<u>0.6%</u>
Totals	<u>100%</u>	<u>4.3%</u>
Inflation		2.7%
Expected Arithmetic Nominal Return		7.0%

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

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 assumed that contributions from plan members will be 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 statues 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 3 years for Plan A and Plan B.

NOTE 8 – SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the net pension liability of the System calculated using the discount rate of 7.275%, as well as what the System's 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 discount rate (assuming all other assumptions remain unchanged):

Changes in discount for years ending June 30, 2018 for Plan A are as follows:

	Plan A		
	1% Decrease (6.275%)	Current Discount Rate (7.275%)	1% Increase (8.275%)
Net pension liability	\$ <u>531,907,815</u>	\$ <u>414,067,787</u>	\$ <u>313,487,159</u>

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

Changes in discount for years ending June 30, 2018 for Plan B are as follows:

	Plan B		
	1% Decrease (6.275%)	Current Discount Rate (7.275%)	1% Increase (8.275%)
Net pension liability	\$ <u>111,005,069</u>	\$ <u>84,583,179</u>	\$ <u>62,122,255</u>

NOTE 9 – CHANGE IN NET PENSION LIABILITY

The changes in the net pension liability for the year ended June 30, 2018 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The differences between expected and actual experience for Plan A and Plan B as of June 30, 2018 are as follows:

Plan A					
			June 30, 2018		
	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	Deferred Outflows	Deferred Inflows
2018	\$ -0-	\$ 15,881,370	\$ (5,293,790)	\$ -0-	\$ 10,587,580
2017	-0-	8,268,739	(4,134,371)	-0-	4,134,368
2016	-0-	4,472,255	(4,472,255)	-0-	-0-
	\$ -0-	\$ 28,622,364	\$ (13,900,416)	\$ -0-	\$ 14,721,948

Plan B					
			June 30, 2018		
	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	Deferred Outflows	Deferred Inflows
2018	\$ -0-	\$ 4,292,673	\$ (1,430,900)	\$ -0-	\$ 2,861,773
2017	-0-	1,421,773	(473,925)	-0-	947,848
2016	453,236	-0-	226,621	226,615	-0-
2015	-0-	456,550	(456,550)	-0-	-0-
	\$ 453,236	\$ 6,170,996	\$ (2,134,754)	\$ 226,615	\$ 3,809,621

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The difference between projected and actual investment earnings results in net deferred outflows for Plan A and Plan B as of June 30, 2018 as follows:

Plan A						
June 30, 2018						
	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	Deferred Outflows	Deferred Inflows	Net Deferred Outflows
2018	\$ 9,067,158	\$ -0-	\$ 1,813,432	\$ 7,253,726	\$ -0-	\$ 7,253,726
2017	15,132,721	-0-	3,783,176	11,349,545	-0-	11,349,545
2016	43,561,441	-0-	14,520,480	29,040,961	-0-	29,040,961
2015	31,618,094	-0-	15,809,048	15,809,046	-0-	15,809,046
2014	-0-	5,952,762	(5,952,762)	-0-	-0-	-0-
	<u>\$ 99,379,414</u>	<u>\$ 5,952,762</u>	<u>\$ 29,973,374</u>	<u>\$ 63,453,278</u>	<u>\$ -0-</u>	<u>\$ 63,453,278</u>

Plan B						
June 30, 2018						
	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	Deferred Outflows	Deferred Inflows	Net Deferred Outflows
2018	\$ 2,132,350	\$ -0-	\$ 426,470	\$ 1,705,880	\$ -0-	\$ 1,705,880
2017	3,280,304	-0-	820,076	2,460,228	-0-	2,460,228
2016	9,278,069	-0-	3,092,689	6,185,380	-0-	6,185,380
2015	6,792,249	-0-	3,396,125	3,396,124	-0-	3,396,124
2014	-0-	1,120,569	(1,120,569)	-0-	-0-	-0-
	<u>\$ 21,482,972</u>	<u>\$ 1,120,569</u>	<u>\$ 6,614,791</u>	<u>\$ 13,747,612</u>	<u>\$ -0-</u>	<u>\$ 13,747,612</u>

Changes in Assumptions or Other Inputs

The changes of assumptions were recognized in pension expense using the straight-line amortization method over a period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The changes of assumptions resulted in deferred outflows and pension expense as of June 30, 2018 as follows:

Plan A						
June 30, 2018						
	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	Deferred Outflows	Deferred Inflows	
2018	\$ 13,450,805	\$ -0-	\$ 4,483,602	\$ 8,967,203	\$ -0-	
2017	6,995,107	-0-	3,497,557	3,497,550	-0-	
2016	-0-	-0-	-0-	-0-	-0-	
	<u>\$ 20,445,912</u>	<u>\$ -0-</u>	<u>\$ 7,981,159</u>	<u>\$ 12,464,753</u>	<u>\$ -0-</u>	

Plan B						
June 30, 2018						
	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	Deferred Outflows	Deferred Inflows	
2018	\$ 3,003,359	\$ -0-	\$ 1,001,120	\$ 2,002,239	\$ -0-	
2017	1,744,425	-0-	581,475	1,162,950	-0-	
2016	-0-	-0-	-0-	-0-	-0-	
2015	2,065,267	-0-	2,065,267	-0-	-0-	
	<u>\$ 6,813,051</u>	<u>\$ -0-</u>	<u>\$ 3,647,862</u>	<u>\$ 3,165,189</u>	<u>\$ -0-</u>	

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Changes in Proportion

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

NOTE 10 – CONTRIBUTIONS – PROPORTIONATE SHARE

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight-line amortization method over a closed period to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of pension amounts by employer due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

NOTE 11 – RETIREMENT FUND AUDIT REPORT

The Municipal Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended June 30, 2018. Access to the report can be found on the Louisiana Legislative Auditor's website, www.la.gov, or by contacting the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

NOTE 12 – SUBSEQUENT EVENTS

The System evaluated all subsequent events through February 4, 2019, the date the employer schedules were available to be issued. As a result, management noted no subsequent events that required adjustment to, or disclosure in, these employer schedules.

B. Municipal Police Employees Retirement System of Louisiana

The Municipal Police Employees' Retirement System (System0 is a cost-sharing, multiple-employer defined benefit pension plan established by Act 189 of 1973 to provide retirement, disability, and survivor benefits to municipal police officers in Louisiana.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Municipal Police Employees' Retirement System prepares its employer schedules in accordance with Governmental Accounting Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB Statement No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It provides methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. It also provides methods to calculate participating employer's proportionate share of net pension liability, deferred inflows, deferred outflows, pension expense, and amortization period for deferred inflows and deferred outflows.

A. Basis of Accounting

The System's employer schedules were prepared using the accrual basis of accounting. Employer contributions, for which the employer allocations are based, are recognized in the period in which the employee is compensated for services performed.

B. System Employees

The System is not allowed a proportionate share of the net pension liability related to its employees. The net pension liability attributed to the System's employees is allocated to the remaining employers based on their respective employer allocation percentage.

C. Pension Amount Netting

The deferred outflows and deferred inflows of resources resulting from differences between projected and actual earnings on pension plan investments that were recorded in different years were netted to report only a deferred outflow or a deferred inflow on the schedule of pension amounts. The remaining categories of deferred outflows and deferred inflows were presented on a net basis.

D. Plan Fiduciary Net Position

Plan fiduciary net pension is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues, and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 – PLAN DESCRIPTION

The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, provided he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefits terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211 – 11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

A. Membership Prior to January 1, 2013

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are 3.33% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40% to 60% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10% of the member's average final compensation or \$200 per month, whichever is greater.

B. Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are 3% and 2.50%, 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.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 25% to 55% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives 10% of average final compensation or \$200 per month whichever is greater. If deceased member had less than 10 years of service, beneficiary will receive a refund of employee contributions only.

C. Cost-of-Living Adjustments

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

D. Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at the date of application. The duration of participation in the DROP is 36 months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If a member elects a money market investment return, the funds are transferred to a government money market account and earn interest at the money market rate.

E. Initial Benefit Option Plan

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

NOTE 3 – EMPLOYER CONTRIBUTIONS

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2018, total contributions due from employers and employees were as follows:

	Contribution Rates		
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
Members hired prior to 1/1/2013	10.00%	30.75%	40.75%
Hazardous Duty Members hired after 1/1/2013	10.00%	30.75%	40.75%
Non-Hazardous Duty Members hired after 1/1/2013	8.00%	30.75%	38.75%
Members whose earnable compensation is less than the poverty guidelines	7.50%	33.25%	40.75%

Non-Employer Contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial duty. Non-employer contributions were recognized as revenue during the year ended June 30, 2018 and excluded from pension expense.

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 4 – SCHEDULE OF EMPLOYER ALLOCATIONS

The schedule of employer allocations reports the historical employer contributions in addition to the employer allocation percentages for each participating employer. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of the Municipal Police Employee's Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of pension amounts.

The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the year ended June 30, 2018, as compared to the total of all employer's contributions to the System for during the year ended June 30, 2018.

NOTE 5 – SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

The schedule of pension amounts by employer displays each employer's allocation of the net pension liability, the various categories of deferred outflows of resources, the various categories of deferred inflows of resources, and the various categories of pension expense. The schedule of pension amounts by employer was prepared using the allocations included in the schedule of employer allocation.

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 6 – DISAGGREGATED PENSION AMOUNTS

	Amounts from the 2017 Employer Pension Report		2018 Employer Specific Amounts		2018 Total Pension Amounts
Net Pension Liability	\$ 123,003	\$	-0-	\$	101,001
<i>Deferred Outflows of Resources Related to Pensions:</i>					
Deferred Outflows - Differences b/w Expected & Actual Experience	\$ 805	\$	-0-	\$	805
Deferred Outflows - Difference b/w Projected & Actual Investment Earnings	5,385		-0-		5,385
Deferred Outflows - Changes of Assumptions	8,752		-0-		8,752
Deferred Outflows - Changes in Proportion & Diff. b/w Actual & Proportionate Contr.'s	26,524		(2,427)		24,097
Deferred Outflows - Contributions Subsequent to Measurement Date	-0-		17,948		17,948
<i>Deferred Inflows of Resources Related to Pensions:</i>					
Deferred Inflows - Differences b/w Expected & Actual Experience	\$ 945	\$	-0-	\$	945
Deferred Inflows - Difference b/w Projected & Actual Investment Earnings	-		-0-		-0-
Deferred Inflows - Changes of Assumptions	-		-0-		-0-
Deferred Inflows - Changes in Proportion & Diff. b/w Actual & Proportionate Contr.'s	45,656		-0-		45,656
Pension Expense	\$ 8,826	\$	2,427	\$	11,253
Revenue	\$ 2,357	\$	-0-	\$	2,357

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 7 – ACTUARIAL METHODS AND ASSUMPTIONS

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The components of the net pension liability of the System's employers as of June 30, 2018 are as follows:

Total Pension Liability	\$	3,007,181,318
Plan Fiduciary Net Position		2,161,775,206
Total Collective Net Pension Liability	\$	845,406,112

The actuarial assumptions used in the June 30, 2018 valuation were based on the assumptions used in the June 30, 2018 actuarial funding valuation and were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. In cases where the benefit structures were changed after the study period, assumptions were based on estimates of future experiences.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018, are 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	
Expected Remaining	2018 – 4 years	
Service Lives	2017 – 4 years	
	2016 – 4 years	
	2015 – 4 years	
Inflation Rate	2.60%	
Salary increases, including inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
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.	
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 increased not yet authorized by the Board of Trustees.	

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

The mortality rate assumption used was set based on an experience study performed by the prior actuary on plan data for the period 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 table 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:

<u>Asset Class</u>	June 30, 2018	
	<u>Target</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	52.00%	3.58%
Fixed Income	22.00%	0.46%
Alternative	20.00%	1.07%
Other	6.00%	0.17%
Totals	100.00%	5.28%
Inflation		2.75%
Expected Nominal Return		8.03%

The discount rate used to measure the total pension liability was 7.20%. The projection of cashflows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates 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.

NOTE 8 - SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.20%, as well as what the employers’ 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 as of June 30, 2018:

	Changes in Discount Rate		
	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
Net Pension Liability	\$ 1,188,029,596	\$ 845,406,112	\$ 557,958,183

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 – CHANGES IN NET PENSION LIABILITY

The changes in the net pension liability for the year ended June 30, 2018, were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the pension plan. The differences between expected and actual experience resulted in deferred inflows of resources as of June 30, 2018, as follows:

	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	June 30, 2018	
				Deferred Outflows	Deferred Inflows
2018	\$ -0-	\$ 54,697,789	\$ (13,674,447)	\$ -0-	\$ 41,023,342
2017	5,716,642	-0-	1,905,547	3,811,095	-0-
2016	-0-	4,357,258	(2,178,629)	-0-	2,178,629
2015	\$ -0-	\$ 2,353,110	\$ (2,353,110)	-0-	-0-
Totals	\$ 3,811,095	\$ 43,201,971			

Differences between Projected and Actual Investment Earnings:

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred inflow of resources as of June 30, 2018, as follows:

	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	June 30, 2018		
				Deferred Outflows	Deferred Inflows	Net Deferred Outflows
2018	\$ 7,361,314	\$ -0-	\$ 1,472,263	\$ 5,889,051	\$ -0-	\$ 5,889,051
2017	-0-	81,938,951	(20,484,738)	-0-	61,454,213	(61,454,213)
2016	109,899,351	-0-	36,633,117	73,266,234	-0-	73,266,234
2015	45,651,629	-0-	22,825,815	22,825,814	-0-	22,825,814
2014	\$ -0-	\$ 35,393,531	\$ (35,393,531)	-0-	-0-	-0-
Totals	\$ 101,981,099	\$ 61,454,213	\$ 40,526,886			

Changes of Assumptions or Other Inputs:

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The changes of assumptions or other inputs resulted in deferred outflows of resources and deferred inflows of resources as of June 30, 2018, as follows:

	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)	June 30, 2018	
				Deferred Outflows	Deferred Inflows
2018	\$ 38,696,875	\$ -0-	\$ 9,674,219	\$ 29,022,656	\$ -0-
2017	39,336,197	-0-	13,112,066	26,224,131	-0-
2016	-0-	-0-	-0-	-0-	-0-
2015	\$ 22,785,580	\$ -0-	\$ 22,785,580	-0-	-0-
Totals	\$ 55,246,787	\$ -0-			

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Changes in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amount arising from changes in the employer's proportionate shares are presented in the Schedule of Pension Amounts as deferred outflows or deferred inflows as of June 30, 2018.

NOTE 10 – CONTRIBUTIONS - PROPORTIONATE SHARE

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provide with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

NOTE 11 – RETIREMENT SYSTEM AUDIT REPORT

Municipal Police Employees' Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2018. Access to the audit report can be found on the System's website: www.lampers.org or on the Office of Louisiana Legislative Auditor's official website: www.la.state.la.us.

NOTE 12 – ESTIMATES

The process of preparing the schedule of employer allocations and schedule of pension amounts in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumption regarding certain types of assets, liabilities, revenues and expenses. According, actual results may differ from estimated amounts.

8. INTERFUND TRANSFERS

Interfund transfers were made during the year for operational purposes.

9. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

10. ENCUMBRANCES

The Town does not utilize encumbrance accounting.

11. CONTINGENCIES

The Town was informed by letter on September 15, 1997 by the Louisiana Department of Environmental Quality that the Town is in violation of portions of the Louisiana Environmental Quality Act (La. R.S. 30:2001) as it related to the operation and maintenance of the Town's sewer system.

12. ELECTED OFFICIALS SALARIES

<u>Name</u>	<u>Title</u>	<u>Term</u>	<u>Annual Salary</u>
Rhonda Elliot	Mayor	2015-2022	\$ 15,750
Joel Sims	Council Member	2018-2022	1,200
Madge Bailey	Council Member	2015-2022	600
Anthony Fenoli	Council Member	2018-2022	600
Ashley Crawford	Council Member	2019-2022	600
Michael Duke	Council Member	2019-2022	600
L.J. Rachal, Jr.	Council Member	2015-2018	1,200
Mark Richardson	Council Member	2015-2018	600
Daniel Smith	Police Chief	2019-2022	36,363
John Stott	Police Chief	2015-2018	\$ 36,363

13. INSURANCE EXPIRATION DATES

<u>Type</u>	<u>Company</u>	<u>Amount</u>	<u>Date Of Expiration</u>
General Liability	Charter Oak Insurance Company	\$1,000,000	07/1/2019
Automobile Liability	Travelers Indemnity Company	\$1,000,000	07/1/2019
Bond	Travelers Casualty & Surety Company	\$ 100,000	11/9/2019
Identity Fraud	Traveler's Casualty & Surety Company	\$ 25,000	11/9/2019
Workers Compensation	Louisiana Workers Compensation Corp.	\$ 500,000	01/1/2020

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

14. RATES

The Town of Olla Enterprise Fund has the following rates. The deposit amounts are listed below:

Renter	\$ 150
Owner	\$ 75

Rate Schedule:

Water	ICL - \$12.50 for the 1 st 2,000 gal., \$4.00 per 1,000 thereafter OCL - \$15.50 for the 1 st 2,000 gal., \$5.00 per 1,000 thereafter
Pleasant Ridge	\$3.50 per 1,000 gal., no minimum
Bulk Water Rates	\$9.00 per 1,000 gal.
Sewer	Residential \$9.00 for 1 st 3,000 gal., \$1.00 per 1,000 thereafter Commercial \$16.50 for 1 st 10,000 gal., \$1.00 per 1,000 thereafter
Fire	Residential - \$5.25 In City Limits \$7.00 Out City Limits Commercial - \$12.00 In City Limits \$17.00 Out City Limits
Garbage	Residential \$19.50 per household or unit Commercial \$46.50 & up based on the amount of garbage & amount of time for collection

15. COMMITTED FUND BALANCE

General Fund Assets of \$64,635 are committed to the Fire Department by ordinance.

16. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made to the general fund to correct receivables and notes payable. A prior period adjustment was made to the enterprise fund to correct customer deposits.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF OLLA, LOUISIANA

**Statement of Revenues, Expenditures, & Changes in Fund Balance
Budget & Actual
General Fund
For the Year Ended June 30, 2019**

	<u>BUDGET AMOUNTS</u>		Actual	VARIANCES FAVORABLE (UNFAVORABLE)
	<u>Original</u>	<u>Final</u>	Budgetary Basis	
REVENUES				
Fees & Charges	\$ 285,000	\$ 260,000	\$ 360,116	\$ 100,116
Taxes	54,042	54,000	53,013	(987)
Fines	345,493	345,990	236,755	(109,235)
Grants	78,147	113	3,113	3,000
Donations	8,408	9,674	9,683	9
Interest	270	590	859	269
Reimbursements	9,500	9,500	9,717	217
Rental	206,645	207,130	207,556	426
Miscellaneous	1,050	650	2,503	1,853
TOTAL REVENUES	<u>988,555</u>	<u>887,647</u>	<u>883,315</u>	<u>(4,332)</u>
EXPENDITURES				
General & Administrative	144,339	138,010	118,610	19,400
Police Expense	293,900	291,550	294,632	(3,082)
Fire	68,500	66,130	57,813	8,317
Street & Sanitation	180,670	154,819	135,864	18,955
Dixie Center	15,505	8,805	10,889	(2,084)
Commercial Building	143,221	198,480	193,555	4,925
Recreation Complex	37,035	35,560	10,050	25,510
Debt Service	19,200	16,178	41,293	(25,115)
Capital Outlay	86,185	54,500	50,886	3,614
TOTAL EXPENDITURES	<u>988,555</u>	<u>964,032</u>	<u>913,592</u>	<u>50,440</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(76,385)	(30,277)	46,108
OTHER FINANCING SOURCES (USES)				
Transfers In/(Out)	-0-	-0-	-0-	-0-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	\$ <u>-0-</u>	\$ <u>(76,385)</u>	(30,277)	\$ <u>46,108</u>
PRIOR PERIOD ADJUSTMENT			(12,065)	
FUND BALANCE - BEGINNING			442,135	
FUND BALANCE - ENDING			<u>\$ 399,793</u>	

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA

**Schedule of the Town's Proportionate Share of the Net Pension Liability
Louisiana Municipal Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.22%	0.21%	0.26%	0.05%	0.02%
Town's proportionate share of the net pension liability (asset)	\$182,401	\$180,596	\$215,442	\$170,383	\$119,223
Town's covered-employee payroll	\$162,722	\$154,927	\$210,100	\$226,763	\$206,563
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112.09%	116.57%	102.54%	75.14%	59.71%
Plan fiduciary net position as a percentage of the total pension liability	65.60%	63.99%	63.34%	68.71%	76.94%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See independent auditor's report

TOWN OF OLLA, LOUISIANA

**Schedule of the Town's Proportionate Share of the Net Pension Liability
Louisiana Municipal Police Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.01%	0.01%	0.02%	0.01%	0.02%
Town's proportionate share of the net pension liability (asset)	\$101,001	\$123,003	\$206,605	\$116,359	\$93,873
Town's covered-employee payroll	\$35,260	\$42,060	\$45,268	\$69,064	\$43,517
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	286.45%	292.45%	456.40%	168.48%	216.72%
Plan fiduciary net position as a percentage of the total pension liability	71.89%	70.08%	66.04%	70.73%	75.10%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See independent auditor's report

TOWN OF OLLA, LOUISIANA
Schedule of the Town's Contributions
Louisiana Municipal Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$21,299	\$17,042	\$18,141	\$16,525	\$16,918
Contributions in relation to the contractually required contribution	\$(25,299)	\$(17,042)	\$(16,808)	\$(18,141)	\$(16,525)
Contribution deficiency (excess)	-0-	-0-	\$1,333	\$(1,616)	\$393
Town's covered-employee payroll	\$162,722	\$154,927	\$210,100	\$226,763	\$206,563
Contributions as a percentage of covered-employee payroll	13.1%	11.0%	8.0%	9.0%	8.0%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See independent auditor's report

TOWN OF OLLA, LOUISIANA
Schedule of the Town's Contributions
Louisiana Municipal Police Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$10,842	\$13,354	\$18,215	\$12,569	\$15,627
Contributions in relation to the contractually required contribution	\$(10,842)	\$(13,354)	\$(13,354)	\$(18,302)	\$(11,532)
Contribution deficiency (excess)	-0-	-0-	\$4,861	\$(5,733)	\$4,095
Town's covered-employee payroll	\$35,260	\$42,060	\$45,268	\$69,064	\$43,517
Contributions as a percentage of covered-employee payroll	30.75%	31.75%	29.50%	26.50%	26.50%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See independent auditor's report

OTHER INFORMATION

Town of Olla, Louisiana
Schedule of Compensation Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2019

Honorable Rhonda Elliot, Mayor

Purpose	Amount
Salary	\$ 15,750
Benefits-Insurance	-0-
Benefits-Retirement	3,267
Benefits (Expense Allowance)	-0-
Car Allowance	-0-
Vehicle Provided by Government	-0-
Per Diem	-0-
Reimbursements	-0-
Travel	1,440
Registration Fees	-0-
Conference Travel	-0-
Continuing Professional Education Fees	-0-
Housing	-0-
Un-vouchered Expenses*	-0-
Special Meals	\$ -0-

*An example of an un-vouchered expense would be a travel advance.

See independent auditor's report.

OTHER REPORTS

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Certified Fraud Examiners

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*

The Honorable Rhonda Elliott, Mayor
and Members of the Town Council
Olla, Louisiana

We have audited, in accordance with the auditing standards general 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 the discretely presented component unit, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Olla, State of Louisiana's basic financial statements, and have issued our report thereon dated October 3, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Olla, State of Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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. However, this report is a public document and its distribution is not limited.

The Vercher Group

Jena, Louisiana
October 3, 2019

TOWN OF OLLA, LOUISIANA

**SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended June 30, 2019**

We have audited the basic financial statements of the Town of Olla, Louisiana, as of and for the year ended June 30, 2019, and have issued our report thereon October 3, 2019. We conducted our audit in accordance with generally accepted auditing standards 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.

Section I Summary of Auditor's Results

Our audit of the financial statements as of June 30, 2019, resulted in an unmodified opinion.

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards (Not Applicable)

Internal Control

Material Weaknesses Yes No Other Conditions Yes No

Type of Opinion on Compliance Unmodified Qualified
For Major Programs Disclaimer Adverse

Are the findings required to be reported in accordance with Uniform Guidance?

Yes No

c. Identification of Major Programs:

CFDA Number (s)

Name Of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Is the auditee a 'low-risk' auditee, as defined by OMB Uniform Guidance? Yes No

TOWN OF OLLA, LOUISIANA

**SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)
For the Year Ended June 30, 2019**

Section II Financial Statement Findings

No findings to report.

Section III Federal Awards Findings and Questioned Costs

Not Applicable.

TOWN OF OLLA, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION
FOR CURRENT YEAR AUDIT FINDINGS

No findings to report.

TOWN OF OLLA, LOUISIANA
MANAGEMENT LETTER COMMENTS

During the course of our audit, we observed conditions and circumstances that may be improved. Below are situations that may be improved (if any) and recommendations for improvements.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

There are no current year management letter comments.

TOWN OF OLLA, LOUISIANA

**MANAGEMENT'S SUMMARY
OF PRIOR YEAR FINDINGS**

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Town of Olla, Louisiana has provided the following action summaries relating to audit findings brought to their attention as a result of their financial audit for the year ended June 30, 2018.

PRIOR YEAR FINDINGS

No findings to report.

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AGREED-UPON PROCEDURES REPORT

Town of Olla, Louisiana

Independent Accountant's Report

On Applying Agreed-Upon Procedures

For the Period of July 1, 2018- June 30, 2019

Town of Olla

Olla, Louisiana

To the Town of Olla and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Town of Olla 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):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - 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.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts/Collections**, 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).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - 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
 - 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)
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - 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.
 - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - 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 operations after a critical event.

Observation: We reviewed the Town's written policies and procedures and found it addressed all of the above items.

Board or Finance Committee

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

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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:
 - 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);
 - 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
 - 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.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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).

Observation: We obtained a listing of deposit sites (Town Hall) and management's representation that the listing is complete.

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

Observation:

- A) Employees that are responsible for cash collections do share cash drawers/registers.**

Exception: Employees that are responsible for cash collections do share cash drawers/registers.

Management's Response: Management feels the cost/benefit of implementing this procedure is prohibitive.

- B) Each employee responsible for collecting cash is also at certain times responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.**

Exception: Each employee responsible for collecting cash is also at certain times responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Management's Response: Management feels the cost/benefit of implementing this procedure is prohibitive.

C) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers.

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.

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

Observation: Inquiry found that clerks are bonded.

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

a) Observe that receipts are sequentially pre-numbered.

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

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

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).

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

Observation:

A) Observed that receipts are sequentially pre-numbered with no exceptions.

B) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip with no exceptions

C) Traced the deposit slip total to the actual deposit per the bank statement with no exceptions

D) Some of the deposits observed were not made daily.

Exception: Deposits not made daily.

Management's Response: Because of the entity's accounting program accounts for all cash and deposits together for both funds (general and enterprise), daily deposits can create accounting and reconciliation problems if cash collections are small on any given day.

E) Traced the actual deposit per the bank statement to the general ledger with no exceptions.

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).

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - 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.
 - 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.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.)]

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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:
- a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

Travel and Travel-Related Expense Reimbursements (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:
 - 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).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

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

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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:

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

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - 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.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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).

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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.

Observation: These procedures were applied in the previous years and no exceptions were noted. These procedures will be rotated to the next fiscal year.

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.

The Vercher Group

Jena, Louisiana
October 3, 2019