

TOWN OF LIVONIA, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2019

TOWN OF LIVONIA, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **TOWN OF LIVONIA, LOUISIANA (TOWN)** as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension plan information on pages 3 through 11 and Exhibits B through B-4 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's basic financial statements. The supplementary information in Exhibit C is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information in Exhibit C is the responsibility of management and was derived from and relates 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 supplementary information in Exhibit C 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 June 15, 2020 on our consideration of the **TOWN OF LIVONIA, LOUISIANA's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Faulk & Winkley, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 15, 2020

TOWN OF LIVONIA, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of The Town of Livonia's (Town) financial performance provides an overview of the Town's financial activities for the year ended December 31, 2019. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. This MD&A should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2019, the Town of Livonia experienced a decrease in governmental revenues by 2% relative to the prior year, while governmental expenses decreased by \$158,000, or 10%, compared to the prior year. The utility fund revenues decreased 4% from the prior year due to a decrease in the amount of capital grants received.

The major financial highlights for 2019 are as follows:

Government-wide financial statements

- Assets and deferred outflows of resources of the Town's primary government exceeded its liabilities and deferred inflows of resources at the close of the year by \$3.95 million (net position). Of this amount, \$530,000 (unrestricted net position) may be used without restrictions to meet the Town's ongoing obligations to citizens.
- The primary government's total net position decreased by \$258,000 during 2019.
- Governmental activities' net position decreased by \$145,000.
- Business-type activities' net position decreased by \$113,000.

General Fund financial statements

- As of the end of the year, governmental funds reported a fund balance of \$1.2 million, a decrease of \$164,000 in comparison to the prior year. Approximately 62% of the fund balance (\$771,000) is assigned for purposes relating to recreation, municipal complex construction, and general governmental operations.

Significant aspects of the Town's financial well being, as of and for the year ended December 31, 2019, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

The Town's financial statements focus on the government as a whole and on major individual funds. Both government-wide and fund perspectives allow the reader to address relevant questions, broaden a basis for comparison from year to year, and enhance the Town's accountability.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

Fund financial statements start on page 14. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

The Town's auditor has provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly presented in all material respects. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the Town as a Whole

The financial statements of the Town as a whole begin on page 12. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and its activities in a way to determine if the Town is in better condition, compared to the prior year. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the current year's revenues and expenses are reported regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the Town's net position and related changes. The Town's financial health, or financial position, can be measured by its net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the Town's operations are divided into two kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including public safety, highway and streets, culture and recreation, and general administration. Property and sales taxes, franchise fees and fines finance most of these activities.

Business-type activities - The Town charges a fee to customers to fund the cost of the gas, water, and sewer services it provides.

At December 31, 2019, the Town's net position was \$3.95 million, of which \$530,000 is unrestricted and 3.1 million was the net investment in capital assets. Restricted net position is reported separately to show legal constraints from legislation that limits the Town's ability to use that net position for day-to-day operations. Restricted net position as of December 31, 2019 was \$285,000, and is restricted to meet debt service requirements.

The analysis of the primary government focuses on the net position and change in net position of the Town's governmental activities and business-type activities is as follows:

Town of Livonia, Louisiana
Statements of Net Position
December 31, 2019 and 2018
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,401	\$ 1,554	\$ 490	\$ 473	\$ 1,891	\$ 2,027
Capital assets	<u>1,387</u>	<u>1,446</u>	<u>4,541</u>	<u>4,818</u>	<u>5,928</u>	<u>6,264</u>
Total assets	2,788	3,000	5,031	5,291	7,819	8,291
Deferred outflows of resources	<u>374</u>	<u>330</u>	<u>-</u>	<u>-</u>	<u>374</u>	<u>330</u>
Total assets & deferred outflows of resources	<u>\$ 3,162</u>	<u>\$ 3,330</u>	<u>\$ 5,031</u>	<u>\$ 5,291</u>	<u>\$ 8,193</u>	<u>\$ 8,621</u>
Current and other liabilities	\$ 71	\$ 147	\$ 173	\$ 133	\$ 244	\$ 280
Long-term liabilities	<u>1,166</u>	<u>1,096</u>	<u>2,793</u>	<u>2,979</u>	<u>3,959</u>	<u>4,075</u>
Total liabilities	<u>1,237</u>	<u>1,243</u>	<u>2,966</u>	<u>3,112</u>	<u>4,203</u>	<u>4,355</u>
Deferred inflows of resources	<u>40</u>	<u>58</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>58</u>
Net position:						
Net investment in capital assets	1,387	1,446	1,748	1,838	3,135	3,284
Restricted	-	-	285	320	285	320
Unrestricted	<u>498</u>	<u>583</u>	<u>32</u>	<u>21</u>	<u>530</u>	<u>604</u>
Total net position	<u>1,885</u>	<u>2,029</u>	<u>2,065</u>	<u>2,179</u>	<u>3,950</u>	<u>4,208</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,162</u>	<u>\$ 3,330</u>	<u>\$ 5,031</u>	<u>\$ 5,291</u>	<u>\$ 8,193</u>	<u>\$ 8,621</u>

Net position of the Town's governmental activities decreased by 7% or \$145,000 during 2019. Unrestricted net position represents the part of net position that can be used to finance day-to-day operations without constraints established by legislation or other legal requirements. The \$498,000 in unrestricted net position of governmental activities represents the cumulative results of operations since the Town's inception.

The changes in net position are discussed later in this analysis. The net position of the Town's business activities decreased by 5% or \$113,000 during 2019. The Town operates gas, water, and sewer services for its citizens.

The results of 2019 and 2018 operations for the primary government as reported in the Statement of Activities, are as follows:

Town of Livonia
Statements of Activities
For the years ended December 31, 2019 and 2018
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program:						
Charges for services	\$ 631	\$ 813	\$ 567	\$ 543	\$ 1,198	\$ 1,356
Operating grants	42	41	-	-	42	41
Capital grants	87	-	2	45	89	45
General:						
Sales taxes	321	300	-	-	321	300
Video poker taxes	160	120	-	-	160	120
Franchise taxes	81	72	-	-	81	72
Ad valorem taxes	47	46	-	-	47	46
Other	63	70	-	2	63	72
Total revenues	<u>1,432</u>	<u>1,462</u>	<u>569</u>	<u>590</u>	<u>2,001</u>	<u>2,052</u>
Functions/Program Expenses:						
General government	195	209	-	-	195	209
Public safety	952	1,100	-	-	952	1,100
Highway and streets	218	200	-	-	218	200
Health and welfare	1	1	-	-	1	1
Culture and recreation	67	81	-	-	67	81
Utility operations	-	-	826	851	826	851
Total expenses	<u>1,433</u>	<u>1,591</u>	<u>826</u>	<u>851</u>	<u>2,259</u>	<u>2,442</u>
Changes in net position before transfers	(1)	(129)	(257)	(261)	(258)	(390)
Transfers	<u>(144)</u>	<u>(125)</u>	<u>144</u>	<u>125</u>	<u>-</u>	<u>-</u>
Change in net position	(145)	(254)	(113)	(136)	(258)	(390)
Beginning net position	<u>2,029</u>	<u>2,283</u>	<u>2,178</u>	<u>2,314</u>	<u>4,207</u>	<u>4,597</u>
Ending net position	<u>\$ 1,884</u>	<u>\$ 2,029</u>	<u>\$ 2,065</u>	<u>\$ 2,178</u>	<u>\$ 3,949</u>	<u>\$ 4,207</u>

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. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is on major funds, rather than generic fund types.

Reporting the Town's Most Significant Funds

The analysis of the Town's major funds begins on page 14 with the fund financial statements that provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council establishes other funds to control and manage money for particular purposes or meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Most of the Town's basic services are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund, the General Fund, is described in a reconciliation to the financial statements. The governmental major fund (Exhibits A-2 and A-4) presentation is presented using modified accrual basis and focuses on the major funds of the Town. The Town's only governmental fund is the General Fund.

Proprietary funds - When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund (Public Utility Fund) is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-9.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the Town's budgetary funds.

Financial Analysis of the Government's Funds

The general government operations of the Town are accounted for in the General Fund. The focus of this fund, as noted earlier, is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. The following is a summary of general governmental operations for 2019 and 2018:

	General Fund	
	2019	2018
	(in thousands)	
Revenues and other financing sources	\$ 1,321	\$ 1,436
Expenditures and other financing uses	1,485	1,547
Net change in fund balance	(164)	(111)
Fund balance - beginning	1,408	1,519
Fund balance - ending	\$ 1,244	\$ 1,408

The Town's General Fund experienced a decrease in fund balance of \$164,000 during 2019 that primarily resulted from decreases in fines revenues compared to the prior year. At year end, the fund's balance was \$1.2 million, of which \$465,000 was unassigned and available for utilization at the Town's discretion.

General Fund revenues, excluding other financing sources, are summarized below:

	2019		2018	
	(In thousands)			
Taxes	\$ 612	47%	\$ 541	38%
Fines	527	40%	712	50%
Licenses and permits	82	6%	79	6%
Intergovernmental	42	3%	41	3%
Other	52	4%	50	3%
Total	\$ 1,315	100%	\$ 1,423	100%

Revenues of the General Fund for 2019 totaled approximately \$1.3 million, representing a decrease of 8% from the previous year.

As noted on the previous page, the Town's activities are largely supported by fines and taxes, which represented 87% of total governmental resources during 2019.

Expenditures of the primary government decreased by \$82,000 or 6% in 2019, primarily related to a decrease in general government (\$14,000) and public safety (\$85,000) expenditures. In addition, highways and streets expenditures increased by \$17,000 or 10% compared to the prior year. Governmental expenditures by functions are summarized as follows:

<u>Function</u>	2019		2018	
	(In thousands)			
General government	\$ 182	14%	\$ 196	14%
Public safety	857	64%	942	66%
Highways and streets	193	14%	176	12%
Culture and recreation	23	2%	37	3%
Health and welfare	1	1%	1	1%
Capital outlay	85	5%	71	4%
Total	<u>\$ 1,341</u>	<u>100%</u>	<u>\$ 1,423</u>	<u>100%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town's General Fund budget was amended which is a customary practice of the Town for changes that occur with financial matters. The most significant changes during 2019 were as follows:

- A decrease in fines revenue of \$121,000,
- An increase in public safety expenditures of \$33,000,
- A decrease in general government expenditures of \$11,000,
- A decrease in highways and streets of \$12,000.

With these adjustments, revenues were \$73,000 less than the related final budget amounts of \$1.4 million, and charges to appropriations (expenditures) were \$263,000 less than the related final budget appropriation of \$1.6 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the Town had \$5.9 million invested in a broad range of capital assets, including vehicles, computer equipment, office furniture, land, buildings, water and gas distribution systems, and a sewer treatment facility.

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
	(in thousands)					
Land	\$ 131	\$ 131	\$ 36	\$ 36	\$ 167	\$ 167
Construction in process	-	10	-	-	-	10
Buildings	493	514	59	63	552	577
Infrastructure	464	468	-	-	464	468
Furniture and equipment	122	150	140	142	262	292
Vehicles	115	100	14	5	129	105
Tractors	62	73	-	-	62	73
Utility systems	-	-	4,292	4,572	4,292	4,572
Capital assets, net of depreciation	<u>\$ 1,387</u>	<u>\$ 1,446</u>	<u>\$ 4,541</u>	<u>\$ 4,818</u>	<u>\$ 5,928</u>	<u>\$ 6,264</u>

The Town elected to capitalize infrastructure assets on a prospective basis as a Phase 3 government, which is permitted by GASB No. 34. More detailed information about the Town's capital assets is presented in Note 6 to the financial statements.

Long-term Debt

At the end of 2019, the Town had \$3.9 million in long-term debt outstanding related to the sewer construction project and net pension liability. This represents a decrease of \$116,000 from 2018, as shown below:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Amount due within one year
Public improvement revenue bonds	\$ 2,979,151	\$ -	\$ 186,000	\$ 2,793,151	\$ 188,000
Net pension liability	1,096,221	199,575	129,355	1,166,441	-
	<u>\$ 4,075,372</u>	<u>\$ 199,575</u>	<u>\$ 315,355</u>	<u>\$ 3,959,592</u>	<u>\$ 188,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town's elected and appointed officials considered many factors when setting the 2019 budget and tax rates. One of those factors is the local economy, with the major economic industries in the surrounding area being agriculture and manufacturing.

An important factor affecting the budget is the Town's fines and forfeitures revenues approximate 26% of budgeted revenue in the General Fund. The Town budgeted a decrease in revenue of \$73,000 in the General Fund compared to results for the current year. The decrease relates to revenue to be received from state grants. Additionally, the Town is projecting a decrease in expenditures of \$254,000 compared to the current year relating to a decrease in salaries and benefits expenditures in the General Fund. If these estimates are realized during 2020, the Town's General Fund fund balance will decrease by \$82,500, as compared to a decrease of \$164,000 during 2019.

Contacting the Town's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show accountability for the money the Town receives. Questions about this report or a need for additional financial information should be directed to the Town's Finance Office at (225) 637-2981 or P.O. Box 307, Livonia, LA 70755.

BASIC FINANCIAL STATEMENTS

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF NET POSITION

December 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,175,039	\$ 64,175	\$ 1,239,214
Accounts receivable, net	64,725	59,076	123,801
Due from other governments	103,103	2,599	105,702
Internal balances	50,000	(50,000)	-
Prepaid assets	8,461	445	8,906
Restricted assets:			
Customer utility deposits	-	78,255	78,255
Debt service	-	285,140	285,140
Capital assets:			
Nondepreciable	130,537	36,073	166,610
Depreciable, net	1,256,266	4,505,397	5,761,663
Total assets	2,788,131	4,981,160	7,769,291
DEFERRED OUTFLOWS OF RESOURCES			
Pension liability	373,930	-	373,930
Total assets and deferred outflows of resources	\$ 3,162,061	\$ 4,981,160	\$ 8,143,221
LIABILITIES			
Accounts payable and accrued liabilities	\$ 50,827	\$ 44,742	\$ 95,569
Due to other governments	19,764	-	19,764
Customer utility deposits	-	78,255	78,255
Long-term payables:			
Due within one year	-	188,000	188,000
Due in more than one year	-	2,605,151	2,605,151
Net pension liability	1,166,441	-	1,166,441
Total liabilities	1,237,032	2,916,148	4,153,180
DEFERRED INFLOWS OF RESOURCES			
Pension liability	40,121	-	40,121
Total liabilities and deferred inflows of resources	1,277,153	2,916,148	4,193,301
NET POSITION			
Net investment in capital assets	1,386,803	1,748,319	3,135,122
Restricted for debt service	-	285,140	285,140
Unrestricted	498,105	31,553	529,658
Total net position	1,884,908	2,065,012	3,949,920
Total liabilities, deferred inflows of resources, and net position	\$ 3,162,061	\$ 4,981,160	\$ 8,143,221

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

	Program Revenues			Net Revenue (Expenses) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 194,966	\$ 97,695	\$ -	\$ -	\$ (97,271)	\$ -	\$ (97,271)
Public safety	951,548	527,403	41,892	-	(382,253)	-	(382,253)
Highway and streets	218,271	-	-	86,549	(131,722)	-	(131,722)
Health and welfare	733	725	-	-	(8)	-	(8)
Culture and recreation	67,505	4,920	-	-	(62,585)	-	(62,585)
Total governmental activities	1,433,023	630,743	41,892	86,549	(673,839)	-	(673,839)
Business-type activities:							
Utility operations	826,852	566,967	-	2,100	-	(257,785)	(257,785)
Total primary government	\$ 2,259,875	\$ 1,197,710	\$ 41,892	\$ 88,649	(673,839)	(257,785)	(931,624)
General revenues:							
Taxes:							
Sales					320,672	-	320,672
Video poker					160,011	-	160,011
Franchise					80,950	-	80,950
Ad valorem					47,437	-	47,437
Beer					2,693	-	2,693
Grants and contributions not restricted to specific programs					26,442	-	26,442
Investment earnings					30,726	-	30,726
Gain on disposal of capital assets					4,145	-	4,145
Transfers					(144,032)	144,032	-
Total general revenues					529,044	144,032	673,076
Change in net position					(144,795)	(113,753)	(258,548)
Net position - beginning of year, restated					2,029,703	2,178,765	4,208,468
Net position - end of year					\$ 1,884,908	\$ 2,065,012	\$ 3,949,920

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUND

December 31, 2019

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,175,039
Accounts receivable, net	64,725
Due from other governments	103,103
Due from Public Utility Fund	50,000
Prepaid assets	8,461
Total assets	<u>\$ 1,401,328</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 50,827
Due to other governments	19,764
Total liabilities	<u>70,591</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - capital grant	<u>86,549</u>
FUND BALANCE	
Non-spendable	8,461
Assigned	770,510
Unassigned	465,217
Total fund balance	<u>1,244,188</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,401,328</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

December 31, 2019

Total net assets reported for governmental activities in the statement of net position is different because:

Total fund balance - governmental fund (Exhibit A-2)		\$ 1,244,188
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental fund, net of accumulated depreciation.		1,386,803
Some grant revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current-period expenditures		86,549
Pension related obligations are not due and payable with current resources and, therefore, are not reported in governmental funds.		
Deferred outflows related to pension liability	373,930	
Deferred inflows related to pension liability	(40,121)	
Net pension liability	<u>(1,166,441)</u>	<u>(832,632)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 1,884,908</u>

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

For the year ended December 31, 2019

	<u>General Fund</u>
REVENUES	
Taxes:	
Sales and use	\$ 320,672
Video poker	160,011
Franchise	80,950
Ad valorem	47,437
Beer	2,693
Fines	527,403
License and permits	82,097
Intergovernmental	41,892
Charges for services	21,243
Investment income	<u>30,726</u>
Total revenues	<u>1,315,124</u>
EXPENDITURES	
Current function:	
General government	182,337
Public safety	856,893
Highways and streets	193,141
Health and welfare	733
Culture and recreation	22,864
Capital outlay	<u>84,950</u>
Total expenditures	<u>1,340,918</u>
Deficiency of revenues over expenditures	<u>(25,794)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from sale of capital assets	6,000
Transfers out	<u>(144,032)</u>
Total other financing sources (uses)	<u>(138,032)</u>
Net change in fund balance	(163,826)
FUND BALANCE	
Beginning of year, restated	<u>1,408,014</u>
End of year	<u>\$ 1,244,188</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES**

For the year ended December 31, 2019

The change in net position reported for governmental activities in the statement of activities is different because:

Net change in fund balance - total governmental funds (Exhibit A-4)		\$ (163,826)
<p>The governmental fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.</p>		
Capital outlay	84,950	
Depreciation expense	<u>(142,313)</u>	(57,363)
The net effect of transactions involving disposals of capital assets, is to increase net position		(1,855)
Because some grant revenues are not collected for sixty days after year end, they are not considered "available" revenues in the governmental funds		86,549
Changes in net pension obligations are reported only in the Statement of Activities		<u>(8,300)</u>
Change in net position of governmental activities (Exhibit A-1)		<u>\$ (144,795)</u>

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND

December 31, 2019

	<u>Public Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 64,175
Accounts receivable, net	59,076
Due from other governments	2,599
Prepaid expenses	445
Total current assets	126,295
Restricted assets:	
Customer utility deposits	78,255
Debt service	285,140
Capital assets:	
Nondepreciable	36,073
Depreciable, net	4,505,397
Total assets	\$ 5,031,160
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 44,742
Due to General Fund	50,000
Customer utility deposits	78,255
Total current liabilities	172,997
Non-current liabilities:	
Due within one year	188,000
Due in more than one year	2,605,151
Total liabilities	2,966,148
NET POSITION	
Net investment in capital assets	1,748,319
Restricted for debt service	285,140
Unrestricted	31,553
Total net position	2,065,012
Total liabilities and net position	\$ 5,031,160

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND

For the year ended December 31, 2019

	<u>Public Utility Fund</u>
OPERATING REVENUES	
Charges for services:	
Water	\$ 198,374
Natural gas	150,934
Sewer	180,497
Other	<u>37,162</u>
Total operating revenues	<u>566,967</u>
OPERATING EXPENSES	
Depreciation	312,071
Personnel	223,764
Maintenance and supplies	113,478
Natural gas purchases	48,769
General and administrative	38,694
Utilities	31,586
Insurance	29,148
Professional services	<u>16,354</u>
Total operating expenses	<u>813,864</u>
Operating loss	(246,897)
NONOPERATING REVENUE (EXPENSE)	
Interest	<u>(12,988)</u>
Deficiency before capital grants and contributions and transfers	(259,885)
Capital grants and contributions	2,100
Transfers in	<u>144,032</u>
Change in net position	(113,753)
NET POSITION	
Beginning of year	<u>2,178,765</u>
End of year	<u><u>\$ 2,065,012</u></u>

TOWN OF LIVONIA, LOUISIANA

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS**

For the year ended December 31, 2019

	<u>Public Utility Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 569,828
Payments to suppliers	(288,063)
Payments to employees	<u>(223,764)</u>
Net cash provided by operating activities	<u>58,001</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers in from other funds	144,032
Increase in due to other funds	<u>25,000</u>
Net cash provided by noncapital and related financing activities	<u>169,032</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(35,950)
Principal payment on bonds	(186,000)
Interest payments on bonds	(12,988)
Capital grants and contributions	2,100
Decrease in due from other governments	<u>(837)</u>
Net cash used for capital and related financing activities	<u>(233,675)</u>
Net decrease in cash	(6,642)
CASH	
Beginning of period	<u>434,212</u>
End of period	<u>\$ 427,570</u>
RECONCILIATION OF CASH	
Cash and cash equivalents	64,175
Restricted cash and cash equivalents	<u>363,395</u>
Total cash	<u>\$ 427,570</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (246,897)
Adjustments for to reconcile operating loss to net cash provided by operating activities:	
Depreciation	312,071
Change in operating assets and liabilities:	
Accounts receivable and other assets	2,861
Accounts payable and accrued liabilities	<u>(10,034)</u>
Net cash provided by operating activities	<u>\$ 58,001</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

The Town of Livonia was established in 1846, incorporated in 1960 and is a political subdivision of the State of Louisiana. The Town, under the provisions of the Lawrason Act, enacts ordinances, sets policy and establishes programs in such fields as public safety, public works, health and welfare, culture and recreation, and utility operations.

The financial statements of the Town of Livonia, Louisiana (Town) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant accounting policies established in GAAP and used by the Town are described below. The Town follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain significant components in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations,
- Financial statements prepared using accrual basis accounting for all of the Town’s activities, including infrastructure (roads, bridges, etc.), and
- Fund financial statements to focus on the major funds.

Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary municipal government, and where applicable (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

GASB Statement No. 14, as amended by GASB Statement No. 61, established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization, and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the Town and, where applicable, its component units. However, there are no component units to be included either blended within the Town's funds or discretely presented in these financial statements.

Basis of Presentation

The Town's basic financial statements consist of the government-wide statements of the primary government and the fund financial statements (individual major funds). The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units.

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all non-fiduciary activities of the Town. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These statements distinguish between the governmental and business-type activities of the Town.

Governmental activities generally are financed through taxes, intergovernmental revenues, fines, charges for services, and other nonexchange revenues.

Business type activities are financed in whole or in part by fees charged to external parties for utility services provided. The Town's natural gas, sewer, and water services are classified as business-type activities.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (Continued)

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 business-type activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements. The Town does not have any non-major funds in 2019.

The daily operations of the Town continue to be organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The Town does not have any fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the Town (the General Fund) or meets the following criteria:

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds of the primary government presented in the financial statements are described as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the Town are accounted for through governmental funds. Measurement is focused upon determining changes in financial position, rather than net income.

General Fund – The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Proprietary Fund Types

Enterprise Funds – Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Town considers the Public Utilities Fund a major enterprise fund.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Program revenues for governmental activities include operating and capital grants, traffic fines, and occupational licenses and permits.

Fund financial statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in fund balance. Governmental funds are maintained on the modified accrual basis of accounting. Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectible within the current period or within 60 days after year-end. Charges for services, fines and forfeitures, and most governmental revenues, are recorded as earned since they are measurable and available.

Nonexchange transactions, in which the Town receives value without directly giving value in return, includes sales tax, ad valorem tax, and federal and state grants. Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15th of each year, and become delinquent after December 31st. The taxes are generally collected in December of the current year and January and February of the following year.

Sales taxes are recorded when in the possession of the intermediary collecting agent and are recognized as revenue at that time and are subject to the availability criteria. Federal and state grants are recorded as revenue when the Town is entitled to the funds, generally corresponding to when grant related costs are incurred by the Town, but subject to the availability criteria.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments, and compensated absences which are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued)

Fund financial statements (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. Proprietary funds are maintained on the accrual basis of accounting whereas revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

Cash and Cash Equivalents

Cash and cash equivalents for the Town include the Louisiana Asset Management Pool (LAMP) account deposits as well as the Town's operating cash accounts.

The investment policy of the Town is governed by state statutes that include depository and custodial contract provisions. The Town invests funds in accordance with L.R.S. 39:1211-1245 and 33:2955 which include, but are not limited to, United States Treasury Bonds, Treasury Notes, Treasury Bills, and fully collateralized interest bearing checking accounts and certificates of deposit. Other provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the Town has a custodial agreement. The Town primarily utilizes the LAMP to invest idle funds.

For purposes of the Statement of Cash Flows, liquid investments of the enterprise fund with a maturity of three months or less are considered to be cash equivalents.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 2.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities uncollectible amounts due for receivables are recognized as bad debts and directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged to the revenue reported. In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. An allowance for doubtful accounts of \$3,375 and \$12,000 in the General Fund and Utility Fund, respectively, was recorded at December 31, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as “due from other funds” or “due to other funds” on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” The Public Utility Fund owed the General Fund \$50,000 at December 31, 2019.

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Major capital outlays for capital assets and improvements are capitalized at the completion of construction projects.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

Prior to the implementation of GASB No. 34, governmental fund’s infrastructure assets were not capitalized. The Town has elected to capitalize infrastructure expenditures on a prospective basis.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Government-wide Statements (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	7 - 40 years
Infrastructure	15 - 40 years
Furniture and equipment	5 - 10 years
Vehicles	5 - 10 years
Tractors	5 - 10 years

Fund Financial Statements

In the fund financial statements capital assets used in governmental fund operations are recorded as capital outlay expenditures of the governmental fund types when purchased. Capital assets used in proprietary fund operations are accounted for in the same manner as in government-wide statements.

Property, plant and equipment used by the proprietary funds are stated at cost. Interest costs incurred during construction periods are capitalized. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	7 - 40 years
Utility systems	5 - 50 years
Machinery and equipment	3 - 10 years
Furniture and equipment	10 years
Vehicles	5 years

Compensated Absences

The Town has the following policy relating to compensated absences:

<u>Length of Service</u>	<u>Annual Earned Hourly Allowance</u>
Less than 1 year	80
1 - 4 years	160
5 - 8 years	200
9 - 14 years	240
15+ years	280

An employee may not carry over more than 264 hours of compensated absences from one calendar year to another. A liability has been accrued in the fund financial statements for compensated absences as the Town anticipates that all compensated absence hours will be utilized in the subsequent year.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and related debt that was used to acquire those assets.
- Restricted net position – consist of net position that is restricted by the Town’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – amounts that cannot be spent because they are either in a nonspendable form or they are legally or contractually required to be maintained intact.
- Restricted – amounts that can be spent only for specific purposes because of the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – amounts that can be used only for specific purposes determined by a formal action by Town council ordinance.
- Assigned – amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- Unassigned – all amounts not included in other spendable classifications.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (fund balance), the Town’s policy is to apply the expenditure in the following priority:

1. Restricted fund balance,
2. Committed fund balance,
3. Assigned fund balance, and
4. Unassigned fund balance.

When an expense is incurred in government activities that can be paid using either restricted or unrestricted resources (net position), the Town’s policy is to first apply the expense to the restricted net position before unrestricted net position is utilized.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transfers

Advances between funds which are not expected to be repaid are accounted for as transfers.

In cases where repayment is expected, the advances are accounted through the various interfund accounts. The General Fund transferred \$144,032 to the Utility Fund to assist in funding debt service requirements.

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted to the Mayor and Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified accrual basis, covers the General Fund and Public Utility Fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unassigned fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Sales and Use Tax

The Town has a permanent one cent sales and use tax that is available for general purposes.

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 disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for uncollectible accounts and depreciation.

Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through June 15, 2020, which was the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

The Town may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to them. To mitigate this risk, state law requires public deposits to be secured by federal deposit insurance or the pledge of qualified securities owned by the fiscal agent financial institution. As of December 31, 2019, the Town had no unsecured deposits.

As of December 31, 2019, the Town had a balance of \$1,292,920 invested in LAMP.

LAMP is administered by a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pools of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955. The value of the portfolio is carried at amortized cost.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public investments.

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 92 days as of December 31, 2019.
- Foreign currency risk: Not applicable

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

The government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name, or (3) uninsured and unregistered for which securities are held by the broker or dealer, or by its trust department or agent but not in the government's name. Cash and cash equivalents consisted of the following as of December 31, 2019:

Unrestricted:

Investments in LAMP	\$ 1,113,351
Deposits	200,915
Cash on hand	200
Total unrestricted	\$ 1,314,466

Restricted:

Investments in LAMP	\$ 179,569
Deposits	181,887
Total restricted	\$ 361,456

NOTE 3 - CONCENTRATION OF CREDIT RISK - ENTERPRISE FUND

Accounts receivable and related user fees from utility customers were comprised largely of residents in the Town. Most customers have made deposits to partially secure their outstanding balance. In 2019, one commercial customer represented approximately 30% of total water revenues for the Town.

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Accounts receivable at December 31, 2019 for the primary government, were as follows:

Primary Government

Utility charges, net	\$ 59,076
Ad valorem taxes	40,465
Franchise taxes	18,690
Other	5,570
Total primary government	\$ 123,801

**NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS
(CONTINUED)**

Due from other governments at December 31, 2019 for the primary government, were:

Primary Government

Grant receivable - Gateway Enhancement Project	\$ 86,549
Video poker taxes	16,554
Grants receivable - other	<u>2,599</u>
Total primary government	<u>\$ 105,702</u>

NOTE 5 - AD VALOREM TAXES

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15% of fair market value; and public service properties, excluding land, are to be assessed at 25% of fair market value.

Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

All ad valorem (property) taxes are recorded in governmental funds, and as explained in Note 1, and are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the taxes assessed for the calendar year falling within the current fiscal year are recorded as revenue. Property taxes are collected by the tax collector and remitted to the Town within the availability period, and are therefore available to liquidate liabilities of the current period.

Taxes are levied by the Town in September or October, and are billed to the taxpayers in November. Billed taxes become delinquent on December 31st. Revenues from ad valorem taxes are budgeted in the year assessed. Ad valorem taxes attach as an enforceable lien on property as of January 1st of each year.

For 2019, taxes of 4.83 mills were levied on property with assessed valuations totaling \$9,821,385 and were dedicated to general governmental operations. Total taxes levied were \$47,437.

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2019, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 130,537	\$ -	\$ -	\$ 130,537
Construction in progress	<u>10,333</u>	<u>-</u>	<u>(10,333)</u>	<u>-</u>
Total capital assets not being depreciated	<u>140,870</u>	<u>-</u>	<u>(10,333)</u>	<u>130,537</u>
Capital assets being depreciated:				
Buildings and improvements	787,479	-	-	787,479
Infrastructure	853,775	39,368	-	893,143
Furniture and equipment	574,085	2,701	(3,772)	573,014
Vehicles	247,931	53,214	(33,256)	267,889
Tractors	<u>230,845</u>	<u>-</u>	<u>-</u>	<u>230,845</u>
Total capital assets being depreciated	<u>2,694,115</u>	<u>95,283</u>	<u>(37,028)</u>	<u>2,752,370</u>
Less accumulated depreciation for:				
Buildings and improvements	272,989	21,539	-	294,528
Infrastructure	385,961	42,707	-	428,668
Furniture and equipment	424,371	28,966	(1,917)	451,420
Vehicles	147,843	38,929	(33,256)	153,516
Tractors	<u>157,800</u>	<u>10,172</u>	<u>-</u>	<u>167,972</u>
Total accumulated depreciation	<u>1,388,964</u>	<u>142,313</u>	<u>(35,173)</u>	<u>1,496,104</u>
Total capital assets being depreciated, net	<u>1,305,151</u>	<u>(47,030)</u>	<u>(1,855)</u>	<u>1,256,266</u>
Total governmental capital assets, net	<u>\$ 1,446,021</u>	<u>\$ (47,030)</u>	<u>\$ (12,188)</u>	<u>\$ 1,386,803</u>

Depreciation expense was charged to functions of the Town as follows:

	Amount
Governmental activities:	
Public safety	\$ 59,913
Culture and recreation	44,641
Highways and streets	25,130
General government	<u>12,629</u>
Total depreciation expense - governmental activities	<u>\$ 142,313</u>

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 36,073	\$ -	\$ -	\$ 36,073
Capital assets not being depreciated:	<u>36,073</u>	<u>-</u>	<u>-</u>	<u>36,073</u>
Capital assets being depreciated:				
Buildings and improvements	117,120	-	-	117,120
Natural gas system	260,476	-	-	260,476
Water system	1,911,475	5,229	-	1,916,704
Sewer system	5,069,259	-	-	5,069,259
Machinery and equipment	285,493	13,625	-	299,118
Furniture and equipment	14,471	2,295	-	16,766
Vehicles	76,489	14,801	-	91,290
Capital assets being depreciated:	<u>7,734,783</u>	<u>35,950</u>	<u>-</u>	<u>7,770,733</u>
Less accumulated depreciation for:				
Buildings and improvements	54,426	3,832	-	58,258
Natural gas system	202,354	6,961	-	209,315
Water system	1,389,754	74,581	-	1,464,335
Sewer system	1,077,040	203,429	-	1,280,469
Machinery and equipment	144,980	16,521	-	161,501
Furniture and equipment	13,625	851	-	14,476
Vehicles	71,086	5,896	-	76,982
Total accumulated depreciation	<u>2,953,265</u>	<u>312,071</u>	<u>-</u>	<u>3,265,336</u>
Total capital assets being depreciated, net	<u>4,781,518</u>	<u>(276,121)</u>	<u>-</u>	<u>4,505,397</u>
Total business-type capital assets, net	<u>\$ 4,817,591</u>	<u>\$ (276,121)</u>	<u>\$ -</u>	<u>\$ 4,541,470</u>

Depreciation expense for business-type activities for 2019 was \$312,071.

(continued)

NOTE 7 - LONG-TERM DEBT

Long-term debt obligations for the primary government at December 31, 2019, are comprised of the following:

Public Improvement Revenue Bonds – business type activities

\$3,696,000 Sewer revenue bonds dated November 1, 2012; due in annual installments of \$184,000 – \$211,000 through May 2033; interest at 0.45% \$ 2,793,151

Net pension liability – governmental activities 1,166,441

Total long-term debt for primary government \$ 3,959,592

The summary of long-term debt transactions for the primary government for the year ended December 31, 2019, is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Amount due within one year
Public improvement revenue bonds	\$ 2,979,151	\$ -	\$ 186,000	\$ 2,793,151	\$ 188,000
Net pension liability	<u>1,096,221</u>	<u>199,575</u>	<u>129,355</u>	<u>1,166,441</u>	<u>-</u>
	<u>\$ 4,075,372</u>	<u>\$ 199,575</u>	<u>\$ 315,355</u>	<u>\$ 3,959,592</u>	<u>\$ 188,000</u>

Debt Service Requirements to Maturity

The annual debt service requirements to amortize outstanding long-term debt of the primary government at December 31, 2019 are as follows:

Year	Sewer Revenue Bonds			
	Principal	Interest	DEQ Fees	Total
2020	\$ 188,000	\$ 12,146	\$ 13,496	\$ 213,642
2021	190,000	11,296	12,551	213,847
2022	191,000	10,438	11,598	213,036
2023	193,000	9,574	10,638	213,212
2024	195,000	8,701	9,667	213,368
2025 - 2029	1,002,000	30,113	33,459	1,065,572
2030 - 2033	<u>834,151</u>	<u>7,520</u>	<u>8,353</u>	<u>850,024</u>
Total	<u>\$ 2,793,151</u>	<u>\$ 89,788</u>	<u>\$ 99,762</u>	<u>\$ 2,982,701</u>

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Bond Restrictions

Sewer Revenue Bond - Series 2012 - Debt Service Fund to be used for the payment of principal and interest on outstanding bonds as they are due and payable. Monthly payments are to be equal to the sum of one-sixth of interest and administrative fees falling due on the next interest payment date and one-twelfth of principal falling due on the next principal payment date. The sum of \$159,933 has been deposited for this requirement.

Sewer Revenue Bond - Series 2012 - Reserve Fund to be used for the payment of principal and interest on bonds payable from the Bond Sinking Fund, as to which there would otherwise be default. The sum of \$106,990 has been deposited therein for this requirement.

Sewer Revenue Bond - Series 2012 - Depreciation & Contingency Fund to be used for the payment of extensions, additions, improvements, renewals, and replacements necessary to properly operate the system. Monthly deposits are to be equal to the sum of 5% of the net revenues of the preceding month, provided the sum is available, until \$130,000 has accumulated in the fund. The sum of \$18,217 has been deposited to date for this requirement.

NOTE 8 - PENSION PLAN

The Town of Livonia (the Town) is a participating employer a cost sharing defined benefit pension plans. This plans is administered by the Municipal Police Employee's Retirement System (MPERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. Each system is administered by a separate board of trustees.

Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan Description

The Municipal Police Employees' Retirement System (MPERS) 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, providing he or she does not have to pay social security, and meets the statutory criteria. 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 benefit 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.

NOTE 8 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

The System issues an annual financial report that is available to the public which includes financial statements and required supplementary information for the System. This report may be obtained by writing, calling, or downloading the reports as follows:

MPERS: 7722 Office Park Boulevard | Baton Rouge, Louisiana 70809 | www.lampers.org

Funding Policy

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer’s portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems’ Actuarial Committee (PRSAC).

Contributions to the plan are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended December 31, 2019, for the Town and covered employees were as follows:

	Town	Employees
Municipal Police Employees' Retirement System		
All employees hired prior to 01/01/2013 and all Hazardous Duty employees hired after 01/01/2013	32.50%	10.00%
Non-Hazardous Duty (hired after 01/01/2013)	32.50%	8.00%
Employees receiving compensation below poverty guidelines of US Department of Health	34.75%	7.50%

The Town made contributions of \$133,712, \$125,441, and \$111,916 during 2019, 2018, and 2017, respectively.

(continued)

NOTE 8 - PENSION PLAN (CONTINUED)

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

At December 31, 2019, the Town reported a net pension liability of \$1,166,441 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Based on actuarial valuations as of June 30, 2019, the Town's proportion was .1284%, which was a decrease of .0013% from its proportion measured as of June 30, 2018 at .1297%.

For the year ended December 31, 2019, the Town recognized pension expense of \$34,742 related to the plan, non-employer contributions were \$26,442.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,447	\$ 35,886
Changes of assumptions	65,365	-
Net difference between projected and actual earnings on pension plan investments	75,782	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	87,680	4,235
Employer contributions subsequent to the measurement date	142,656	-
	\$ 373,930	\$ 40,121

The Town reported \$142,656 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

December 31, 2020	\$ 111,744
December 31, 2021	33,414
December 31, 2022	27,080
December 31, 2023	18,915
	\$ 191,153

NOTE 8 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2019 valuation were based on the assumptions used in the June 30, 2019 actuarial finding and valuation and were based on the results of an actuarial experience study for the period of July 1, 2009 through June 30, 2014.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.125%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.50%

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%

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 tables used would produce liability values approximating the approximate generational mortality tables.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting long-term rate of return is 7.89% for the year ended June 30, 2019.

NOTE 8 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2019 are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long - Term Expected</u>
	<u>MPERS</u>	<u>MPERS</u>
Equity	48.50%	3.28%
Fixed Income	33.50%	0.80%
Alternatives	18.00%	1.06%
Total	<u>100.00%</u>	<u>5.14%</u>
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>7.89%</u>

Discount Rate

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC 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. The discount rate used to measure the total pension liability for MPERS 7.125% for the year ended June 30, 2019.

Sensitivity to Changes in Discount Rate

The following presents the Town's proportionate share of the Net Pension Liability (NPL) using the discount rate of each Retirement System as well as what the Town's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by each of the Retirement Systems:

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
Discount Rates	6.125%	7.125%	8.125%
Shares of Net Pension Liability	\$ 1,625,237	\$ 1,166,441	\$ 781,557

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There were no major changes in insurance coverage from the prior year and settlements have not exceeded coverage in the current year or in the past three years.

Grants

The Town receives federal and state grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the Town management that its compliance with the terms of grants will result in negligible, if any, disallowed costs.

NOTE 10 - DEFERRED COMPENSATION PLAN

The Town offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, permitting them to defer a portion of their salary until future years. The Plan is administered by Massachusetts Mutual Financial Group. (MassMutual) who is also the Plan's Trustee.

Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of the Internal Revenue Code, all amounts deferred under the Plan, including income attributable to those amounts, are solely the property and rights of the participants and their beneficiaries.

MassMutual held Plan assets of \$555,575 at December 31, 2019.

The Town has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Under this statement governments that have no responsibility for the Plan and are not formally considered the Plan's trustee are not required to report the Plan in its financial statements. Since the Town Plan is held in a custodial account with a third party administrator, the assets and liabilities are not presented in the Town's financial statements.

(continued)

NOTE 11 - SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated closings, reduction of operating hours, or operational restrictions for nonessential businesses, including retail stores, restaurants, personal service businesses and all entertainment venues. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Town expects this matter to negatively impact availability of resources, such as sales taxes, and its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 12 - COMPENSATION OF GOVERNING BODY

During 2019, Council members received compensation as follows:

	Amount
James R. Bergeron	\$ 6,050
Gregory M. Jarreau	6,050
John T. Jarreau	6,050
Ron V. Leblanc	6,050
Warren C. Pourciau	6,050
Total	\$ 30,250

NOTE 13 - RESTATEMENT OF NET POSITION/FUND BALANCE

The January 1, 2019, beginning balance of the governmental activities' net position and General Fund's fund balance was restated as follows:

<u>Governmental Activities</u>	2018	2017
Beginning net position, as previously stated	\$ 2,092,017	\$ 2,335,643
To accrue unrecognized pension expense	(62,314)	(51,380)
Beginning net position, restated	\$ 2,029,703	\$ 2,284,263
<u>General Fund Financial Statements</u>	2018	2017
Beginning fund balance, as previously stated	\$ 1,470,328	\$ 1,570,399
To accrue unrecognized pension expense	(62,314)	(51,380)
Beginning fund balance, restated	\$ 1,408,014	\$ 1,519,019

TOWN OF LIVONIA, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF LIVONIA, LOUISIANA
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Taxes:				
Sales	\$ 324,500	\$ 318,500	\$ 320,672	\$ 2,172
Video poker	150,000	140,000	160,011	20,011
Franchise	77,000	76,700	80,950	4,250
Ad valorem	46,000	46,000	47,437	1,437
Beer	3,500	3,650	2,693	(957)
Fines	604,625	483,775	527,403	43,628
Licenses and permits	77,760	77,760	82,097	4,337
Intergovernmental	184,105	187,945	41,892	(146,053)
Charges for services	14,905	15,355	21,243	5,888
Investment income	36,461	38,248	30,726	(7,522)
Total revenues	<u>1,518,856</u>	<u>1,387,933</u>	<u>1,315,124</u>	<u>(72,809)</u>
EXPENDITURES				
Current function:				
General government	192,285	181,256	182,337	(1,081)
Public safety	938,612	972,184	856,893	115,291
Highways and streets	211,660	199,187	193,141	6,046
Health and welfare	900	900	733	167
Culture and recreation	27,688	23,423	22,864	559
Capital outlay	231,294	226,901	84,950	141,951
Total expenditures	<u>1,602,439</u>	<u>1,603,851</u>	<u>1,340,918</u>	<u>262,933</u>
Deficiency of revenues over expenditures	<u>(83,583)</u>	<u>(215,918)</u>	<u>(25,794)</u>	<u>190,124</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	6,000	6,000	6,000	-
Transfers out	(199,000)	(149,450)	(144,032)	5,418
Total other financing sources (uses)	<u>(193,000)</u>	<u>(143,450)</u>	<u>(138,032)</u>	<u>5,418</u>
Net change in fund balance	<u>\$ (276,583)</u>	<u>\$ (359,368)</u>	<u>(163,826)</u>	<u>\$ 195,542</u>
FUND BALANCE				
Beginning of year			<u>1,408,014</u>	
End of year			<u>\$ 1,244,188</u>	

TOWN OF LIVONIA, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended December 31, 2019

NOTE 1 - BUDGETS

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified accrual basis, covers the general fund and enterprise fund (accrual basis). At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unassigned fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Basis of Accounting

All of the Town's funds budgets are prepared on the modified accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended December 31, 2019. The Town's basis of budgetary accounting follows generally accepted accounting principles.

TOWN OF LIVONIA, LOUISIANA
SCHEDULE OF PROPORTIONATE SHARE
OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS (1)(2)

	<u>MPERS</u>	
	<u>2019</u>	<u>2018</u>
As of the fiscal year ended (2):		
Employer's Proportion of the Net Pension Liability	0.1284%	0.1297%
Employer's Proportionate Share of the Net Pension Liability	\$ 1,166,441	\$ 1,096,221
Employer's Covered Payroll	\$ 427,643	\$ 382,320
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	272.76%	286.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.008%	71.886%
As of the fiscal year ended (2):		
	<u>2017</u>	<u>2016</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.1101%	0.1038%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 961,272	\$ 972,964
Employer's Covered Payroll	\$ 328,704	\$ 283,050
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	292.44%	343.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.081%	66.042%
As of the fiscal year ended (2):		
	<u>2015</u>	
Employer's Proportion of the Net Pension Liability (Asset)	0.1049%	
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 821,468	
Employer's Covered Payroll	\$ 280,420	
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	292.94%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.730%	

(1) Schedule is intended to show information for 10 years. Additional years will be displayed as available.

(2) The amounts presented have a measurement date of MPERS's prior June 30th fiscal year end.

MPERS = Municipal Police Employees' Retirement System

TOWN OF LIVONIA, LOUISIANA
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS (1)(2)

MPERS

As of the fiscal year ended (2):

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 141,951	\$ 122,492
Contributions in Relation to Contractually Required Contribution	141,951	122,492
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll	\$ 438,450	\$ 398,348
Contributions as a % of Covered Payroll	32.38%	30.75%

As of the fiscal year ended (2):

	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 113,616	\$ 88,058
Contributions in Relation to Contractually Required Contribution	113,616	88,058
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll	\$ 357,845	\$ 279,550
Contributions as a % of Covered Payroll	31.75%	31.50%

As of the fiscal year ended (2):

	<u>2015</u>
Contractually Required Contribution	\$ 90,856
Contributions in Relation to Contractually Required Contribution	90,856
Contribution Deficiency (Excess)	<u>\$ -</u>
Employer's Covered Payroll	\$ 288,433
Contributions as a % of Covered Payroll	31.50%

(1) Schedule is intended to show information for 10 years. Additional years will be displayed as available.

(2) The amounts presented have a measurement date of the Town's fiscal year.

MPERS = Municipal Police Employees' Retirement System

TOWN OF LIVONIA, LOUISIANA

**NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION
LIABILITY AND SCHEDULE OF PENSION CONTRIBUTIONS**

For the year ended December 31, 2019

NOTE 1 - NET PENSION LIABILITY

Changes of Benefit Terms

Municipal Police Employees' Retirement System

No Changes.

Changes of Assumptions

Municipal Police Employees' Retirement System

In 2019, the investment rate of return and inflation rate decreased from 7.20% to 7.125% and 2.60% to 2.50%, respectively. The long-term expected real rate of return decreased from 8.03% to 7.89%.

In 2018, the investment rate of return and inflation rate decreased from 7.325% to 7.20% and 2.70% to 2.60%, respectively. The long-term expected real rate of return decreased from 8.19% to 8.03%.

In 2017, the investment rate of return and inflation rate decreased from 7.50% to 7.325% and 2.875% to 2.70%, respectively. The long-term expected real rate of return decreased from 8.25% to 8.19%.

In 2016, the investment rate of return and inflation rate remained the same as the prior year at 7.50% and 2.875%, respectively. The long-term expected real rate of return decreased from 8.28% to 8.25%.

In 2015, the investment rate of return and inflation rate were 7.50% and 2.875%, respectively. The long-term expected real rate of return was 8.28%.

TOWN OF LIVONIA, LOUISIANA

OTHER SUPPLEMENTARY INFORMATION

TOWN OF LIVONIA, LOUISIANA

**SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD**

For the year ended December 31, 2019

Agency Head: Mayor Rhett Pouricau

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 12,025
Travel allowance	<u>1,000</u>
Total	<u>\$ 13,025</u>

**INDEPENDENT AUDITORS' REPORT REQUIRED BY
*GOVERNMENTAL AUDITING STANDARDS***

For the year ended December 31, 2019

INDEPENDENT AUDITORS' 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 Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the **TOWN OF LIVONIA, LOUISIANA (TOWN)** as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 over financial reporting 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2019-001 through 2019-003, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003.

The Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

This report is intended solely for the information and use of the Town Council and management, the Louisiana Legislative Auditor, and federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 15, 2020

TOWN OF LIVONIA, LOUISIANA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2019

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
 - B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2019-001, 2019-002, and 2019-003.**
 - C) Material weaknesses: **None.**
 - D) Noncompliance that is material to the financial statements: **None.**
- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2019-001, 2019-002, and 2019-003.**
- 3) Findings relating to compliance reported in accordance with *Government Auditing Standards*: **2019-002 and 2019-003.**

TOWN OF LIVONIA, LOUISIANA

SUMMARY OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2019

4) FINDINGS - FINANCIAL STATEMENT AUDIT

2019-001 Segregation of Duties

Fiscal Year Finding Originated: 2011

Criteria: Duties within the Town's financial reporting process should be segregated between different individuals to ensure effective internal control over financial reporting.

Condition: The Town does not have adequate segregation of duties over the financial reporting process.

Cause: The finding results from the small number of Town personnel involved in the financial reporting process, which restricts meaningful segregation of duties.

Effect: The Town does not have adequate internal control over financial reporting.

Recommendation: We recommend that the Town continue the current process of:

- Obtaining the Mayor's approval for all Town disbursements,
- The unopened monthly bank statement (including all cancelled checks) be reviewed by the Mayor,
- The Mayor review and sign off bank reconciliations,
- The Mayor and Town Council review the Town's financial statements, on a monthly basis with comparison to budgeted amounts. Furthermore, a listing of monthly cash disbursements be reviewed with the monthly financial statements.

Management's corrective action plan: Due to the size of the Town, the achievement of adequate segregation of duties is desirable to management but is economically impractical. However, the Mayor approves all disbursements of the Town within the range of the Council approved budget, except for those disbursements within the designated Police Department budget which are approved by the elected Chief of Police. All check disbursements are to have dual signatures per Town policy.

5) FINDINGS - COMPLIANCE

2019-002 Budget Law

Fiscal Year Finding Originated: 2019

Criteria: In accordance with R.S. 39:1310, an adopted budget must be amended whenever notification is received pursuant to R.S. 39:1311, or whenever there has been a change in operations upon which the original adopted budget was developed.

Condition: Actual revenues in the General Fund had an unfavorable variance of 5.2% of the final budgeted amounts. However, budgeted expenditures were under budget.

Cause: The budget was not amended when actual revenues were less than the budget by more than 5%.

Effect: The Town is non-compliant with the Louisiana budget law.

Recommendation: We recommend that the Town should amend the budgets in accordance with the statute. Additionally, the budgets should be monitored on a continual basis.

Management's corrective action plan: Management believes this to be an isolated incident and will continue to monitor actual revenues throughout the year to ensure budget compliance in future fiscal years.

2019-003 Retirement Plan Participation

Criteria: As a participant in MPERS, the Town is required by law to mandate eligible employees participate in MPERS, which requires withholding of employee contributions and matching contributions by the Town as determined by Louisiana law.

Condition: The Town did not require eligible participants to participate in the Municipal Police Employees Retirement System (MPERS). The Town's employer contribution amounts owed from 2012 to September 2019 fiscal years totaled \$71,003, as determined by an actuarial valuation performed by MPERS.

Effect: The Town did not comply with Louisiana law and agreements with MPERS. As a result, required matching contributions to MPERS were not remitted by the Town for an eligible employee.

Cause: The Town did not mandate participation by all eligible employees to participate in MPERS.

Recommendation: The Town should assess and mandate participation in MPERS for all eligible employees upon hire and change in employment status.

Management's corrective action plan: The Town remitted employer amounts owed to MPERS as determined by actuarial valuation in December 2019. The Town intends to require employees to enroll in MPERS at time eligibility is validated by Town management.

TOWN OF LIVONIA, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2019

2018-001 Segregation of Duties

This finding has been reclassified as 2019-001.

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

TOWN OF LIVONIA

Livonia, Louisiana

December 31, 2019

**INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Members of the Council
of the Town of Livonia and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Livonia (the Town) 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 January 1, 2019 through December 31, 2019. The Town's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - 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, 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. Note: Ethics requirements are not applicable to nonprofits.
- j. ***Debt Service***, including (1) debt issuance approval, (2) 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.

Board (or Finance Committee, if applicable)

- 2. Obtain and inspect the board/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 whether the managing board met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
- b. Observe whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
- c. Observe whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Bank Reconciliations

3. Obtain a listing of client bank accounts 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. 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.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
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.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
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.

Non-Payroll Disbursements (excluding credit card purchases, 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).

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.
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.

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.
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, 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.
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).

The above procedures, Items 11-13, were not performed in the current year due to no exceptions in the prior year report dated May 31, 2019.

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

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

The above procedure, Items 14, was not performed in the current year due to no exceptions in the prior year report dated May 31, 2019.

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.

The above procedure, Item 15, was not performed in the current year due to no exceptions in the prior year report dated May 23, 2018.

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

The above procedures, Items 16-19, were not performed in the current year due to no exceptions in the prior year report dated May 23, 2018.

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.

Debt Service (excluding nonprofits)

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.
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.

The above procedures, Items 21 and 22, were not performed in the current year due to no exceptions in the prior year report dated May 23, 2018.

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.
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.

The above procedures, Items 23 and 24 were not performed in the current year due to no exceptions in the prior year report dated May 31, 2019.

TOWN OF LIVONIA
Livonia, Louisiana

SCHEDULE OF EXEPTIONS

For the year ended December 31, 2019

Exceptions:

No exceptions were found as a result of applying the procedures listed above, except as follows:

Written Policies and Procedures:

The Town has not adopted policies and procedures regarding disaster recovery and business continuity.

Bank Reconciliations:

3 (d) For two of the five bank accounts selected, the Town had no documentation reflecting that reconciling items outstanding more than twelve months from the statement closing date had been researched.

Collections:

5 (b) Employees responsible for collecting cash are also responsible for preparing or making bank deposits.

5 (c) Employees responsible for collecting cash are also responsible for posting collection entries to the general ledger or subsidiary ledgers.

Ethics:

20 (a) Of the 5 employees selected for testing, one employee did not have documentation demonstrating the individual completed one hour of ethics training or signature verification that the employee read the Town's ethics policy during the fiscal period.

Management's Response:

The Council of the Town of Livonia concurs with the exceptions and is currently working to address the exceptions identified.

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 Louisiana Legislative Auditor as a public document.

Certified Public Accountants

Baton Rouge, Louisiana
June 15, 2020