

**Town of Benton
Benton, Louisiana**

Financial Statement with Auditors' Report

As of and For the Year Ended December 31, 2017

Town of Benton
Benton, Louisiana

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 – 2
Required Supplementary Information: Management's Discussion and Analysis	3 – 9
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	10
Statement of Activities	11
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Balance Sheet – Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to the Financial Statements	19 – 48
Required Supplementary Information:	
<i>Budgetary Comparison Schedules:</i>	
General Fund	49
Sales Tax Fund	50
Note to Required Supplementary Information	51
Schedule of Proportionate Share of Net Pension Liability	52
Schedule of Contributions	53

(Continued)

Town of Benton
Benton, Louisiana

Table of Contents
(Continued)

	<u>Page</u>
Other Supplementary Information:	
Schedule of Compensation Paid to Board Members For the Year Ended December 31, 2017	54
Schedule of Compensation, Benefits, and Other Payments to Agency Head	55
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	56 – 57
Schedules For Louisiana Legislative Auditor	
Summary Schedule of Prior Year Audit Findings	58
Summary Schedule of Current Year Audit Findings	59

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

STUART L. REEKS, CPA
J. PRESTON DELAUNE, CPA

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Town of Benton
Benton, 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 Benton, Louisiana, as of and for the year ended December 31, 2017, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Benton, Louisiana, as of December 31, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 9 and 49 - 51, the schedule of proportionate share of net pension liability on page 52, and the schedule of contributions on page 53 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Benton's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on pages 54 - 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information 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 information 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 28, 2018, on our consideration of the Town of Benton, 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 solely 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 the effectiveness of the Town of Benton, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Benton, Louisiana's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
June 28, 2018

TOWN OF BENTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Benton's financial performance provides an overview of the Town of Benton's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the Town's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The Town of Benton's net position of our governmental activities increased by \$292,549 or 4%. The Town of Benton's net position of our business-type activities increased \$502,303 or 7%.
- In the Town's governmental activities, total general and program revenues were \$1,871,418 in 2017 compared to \$1,711,533 in 2016. Total expenses, excluding depreciation, totaled \$1,321,706 for the year ended December 31, 2017.
- In the Town's business-type activities, total revenues were \$2,671,826 in 2017 compared to \$2,562,109 in 2016. Total expenses, excluding depreciation, totaled \$1,828,051 for the year ended December 31, 2017.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Town of Benton as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town of Benton's operations in more detail than the government-wide statements by providing information about the Town of Benton's most significant funds.

Reporting the Town of Benton as a Whole

Our analysis of the Town of Benton as a whole begins on page 10. One of the most important questions asked about the Town of Benton's finances is "Is the Town of Benton as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the funds maintained by the Town of Benton as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town of Benton's *net positions* and changes in them. You can think of the Town of Benton's net position – the difference between assets and liabilities – as one way to measure the Town of Benton's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town of Benton's net positions are one indicator of whether its *financial health* is improving or deteriorating. You will need to

consider other non-financial factors, however, such as changes in the Town's property tax base, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities – Most of the Town's basic services are reported here, including the police, public works, and general administration. Property taxes, franchise fees, sales taxes, and police department fines, and various other revenues finance most of these activities.

Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the major funds maintained by the Town of Benton begins on page 12. The fund financial statements begin on page 12 and provide detailed information about the most significant funds maintained by the Town of Benton – not the Town of Benton as a whole. The Town of Benton's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the Town of Benton's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 of Benton's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Town of Benton expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following the fund financial statements.

Proprietary funds – When the Town charges customers for the services it provides, 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 funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN OF BENTON AS A WHOLE

The Town of Benton's combined net position changed from a year ago, increasing from \$15,891,443 to \$16,686,295. A comparative analysis of the funds maintained by the Town of Benton is presented in Table 1 below:

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,474,847	\$ 4,988,077	\$ 3,283,747	\$ 2,765,315	\$ 7,758,594	\$ 7,753,392
Capital assets	5,076,193	4,178,600	5,501,318	5,485,183	10,577,511	9,663,783
Total assets	<u>9,551,040</u>	<u>9,166,677</u>	<u>8,785,065</u>	<u>8,250,498</u>	<u>18,336,105</u>	<u>17,417,175</u>
Deferred outflows of resources	250,546	391,701	185,825	133,727	436,371	525,428
Current Liabilities	152,013	73,027	418,567	406,786	570,580	479,813
Long-term liabilities	986,504	1,188,777	376,288	317,720	1,362,792	1,506,497
Total liabilities	<u>1,138,517</u>	<u>1,261,804</u>	<u>794,855</u>	<u>724,506</u>	<u>1,933,372</u>	<u>1,986,310</u>
Deferred inflows of resources	127,107	53,161	25,702	11,689	152,809	64,850
Net position:						
Investment in capital assets	4,979,165	4,178,600	5,496,818	5,443,995	10,475,983	9,622,595
Restricted	2,670,251	3,164,184			2,670,251	3,164,184
Unrestricted	886,546	900,629	2,653,515	2,204,035	3,540,061	3,104,664
Total net position	<u>\$ 8,535,962</u>	<u>\$ 8,243,413</u>	<u>\$ 8,150,333</u>	<u>\$ 7,648,030</u>	<u>\$ 16,686,295</u>	<u>\$ 15,891,443</u>

Net position of the Town of Benton's governmental activities increased by \$292,549 or 4%. Net position of the Town of Benton's business-type activities increased by \$502,303 or 7%. See Table 2 below:

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 264,789	\$ 226,961	\$ 2,158,067	\$ 2,213,625	\$ 2,422,856	\$ 2,440,586
Operating grants	31,829	23,242	10,827	12,083	42,656	35,325
Capital grants			200,150	64,773	200,150	64,773
General revenue						
Ad valorem taxes	134,826	75,931			134,826	75,931
Sales taxes	1,185,224	1,064,554	295,685	266,138	1,480,909	1,330,692
Franchise taxes	48,564	55,389			48,564	55,389
Gaming taxes	117,380	109,240			117,380	109,240
Investment earnings	19,792	12,593	7,097	5,490	26,889	18,083
Miscellaneous	69,014	204,827			69,014	204,827
Loss on disposal of asset		(61,204)			-	(61,204)
Transfers	(6,378)	(5,768)	6,378	5,768		
Total revenues	<u>1,865,040</u>	<u>1,705,765</u>	<u>2,678,204</u>	<u>2,567,877</u>	<u>4,543,244</u>	<u>4,273,642</u>
Expenses						
General government	428,860	555,823			428,860	555,823
Public safety	619,105	666,164			619,105	666,164
Public works	515,636	461,395			515,636	461,395
Parks and recreation	8,890	12,329			8,890	12,329
Water, sewer, and sanitation			2,175,901	2,381,432	2,175,901	2,381,432
Total expenses	<u>1,572,491</u>	<u>1,695,711</u>	<u>2,175,901</u>	<u>2,381,432</u>	<u>3,748,392</u>	<u>4,077,143</u>
 Increase in net position	 <u>\$ 292,549</u>	 <u>\$ 10,054</u>	 <u>\$ 502,303</u>	 <u>\$ 186,445</u>	 <u>\$ 794,852</u>	 <u>\$ 196,499</u>

The Town's total revenues increased by \$269,602 or 7%. The total cost of all programs and services decreased \$328,751 or 8%. Our analysis below separately considers the operations of the governmental and business-type activities.

Governmental Activities

Total revenues for the governmental activities increased by \$159,275 or 9% from total revenues in the year ended December 31, 2016 of \$1,705,765 to total revenues of \$1,865,040 in the year ended December 31, 2017. The primary reason for the increase was increased revenues from sales taxes and ad valorem taxes.

The cost of all governmental activities this year was \$1,572,491. These costs were covered by \$296,618 of program revenues, with the remaining costs covered by property taxes, sales taxes, and other general revenues.

Business-type Activities

Total revenues for the business-type activities increased \$110,327 or 4% from total revenues in the year ended December 31, 2016 of \$2,567,877 to total revenues of \$2,678,204 in the year ended December 31, 2017. The primary reason for the increase was the Town's acceptance of donated infrastructure in the current year.

The cost of all business-type activities this year was \$2,175,901. These costs were covered by \$2,369,044 of program revenues, consisting of charges for services assessed to users and capital grants.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a *combined* fund balance of \$4,274,620, which is lower than last year's fund balance of \$4,891,350.

General Fund Budgetary Highlights

The Town adopted a budget for its General Fund for the year ended December 31, 2017. There was one amendment to the budget during the year. The Town's budgetary comparison is presented as required supplementary information and shown on page 49. Highlights for the year are as follows:

- General government expenses were approximately \$73,952 less than budgeted amounts.
- Overall revenues were approximately \$57,205 higher than budgeted amounts.

CAPITAL ASSETS

At the end of December 31, 2017, the Town of Benton had invested \$10,577,511 in capital assets. (see table 3 below)

Table 3
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 278,571	\$ 278,571	\$ 29,500	\$ 29,500	\$ 308,071	\$ 308,071
Construction in progress	51,317		196,635	32,800	247,952	32,800
Buildings	283,785	312,647			283,785	312,647
Infrastructure	4,263,860	3,403,514			4,263,860	3,403,514
Furniture, equipment, and vehicles	198,660	183,868	39,371	43,369	238,031	227,237
Sewer system and equipment			3,689,288	3,926,143	3,689,288	3,926,143
Water system			1,546,524	1,453,371	1,546,524	1,453,371
Total assets	\$ 5,076,193	\$ 4,178,600	\$ 5,501,318	\$ 5,485,183	\$ 10,577,511	\$ 9,663,783

This year's major additions included:

Water equipment	\$ 200,150
Infrastructure	1,041,000
Construction in progress	215,152
Equipment and vehicles	56,061
Total	\$ 1,512,363

More detailed information about the capital assets are presented in Note 6 to the financial statements.

Debt

At the end of 2017 the Town had \$1,362,792 in long-term liabilities as described below:

Table 4
Outstanding Debt At Year End

	<u>Governmental Activities</u>	<u>Busniess-type Activities</u>	<u>Total</u>
Net pension liability	\$ 970,661	\$ 376,288	\$ 1,346,949
Compensated absences	15,843		15,843
	<u>\$ 986,504</u>	<u>\$ 376,288</u>	<u>\$ 1,362,792</u>

More detailed information about the debt is presented in Note 12 to the financial statements.

In accordance with GASB Statement No. 68, the Town is reporting a net pension liability of \$1,346,949 on the statement of net position for governmental and business-type activities at December 31, 2017. Additional information about the Town's net pension liability is presented in note 14 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Benton's management considered many factors when setting a fiscal year December 31, 2018 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same as 2017. Expenditures for 2018 are expected to remain substantially the same as 2017.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the Town of Benton and to show the Town of Benton's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor at P.O. Box 336, Benton, LA 71006.

Town of Benton
Benton, Louisiana
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,053,297	\$ 1,777,473	\$ 2,830,770
Investments	3,220,059	1,006,519	4,226,578
Other receivables	197,010	262,361	459,371
Prepaid expenses	29,587	22,098	51,685
Restricted assets:			
Cash and cash equivalents		190,190	190,190
Capital assets			
Depreciable (net)	4,746,305	5,275,183	10,021,488
Non-depreciable	329,888	226,135	556,023
Internal balances	(25,106)	25,106	
Total assets	<u>9,551,040</u>	<u>8,785,065</u>	<u>18,336,105</u>
Deferred outflows of resources - pension related	<u>250,546</u>	<u>185,825</u>	<u>436,371</u>
Liabilities			
Accounts payable and accrued expenses	152,013	228,377	380,390
Payable from restricted assets:			
Customer deposits		190,190	190,190
Non-current liabilities:			
Due within one year	11,483		11,483
Due in more than one year	975,021	376,288	1,351,309
Total liabilities	<u>1,138,517</u>	<u>794,855</u>	<u>1,933,372</u>
Deferred inflows of resources - pension related	<u>127,107</u>	<u>25,702</u>	<u>152,809</u>
Net Position			
Net investment in capital assets	4,979,165	5,496,818	10,475,983
Restricted for:			
Public Works	2,670,251		2,670,251
Unrestricted	886,546	2,653,515	3,540,061
Total net position	<u>\$ 8,535,962</u>	<u>\$ 8,150,333</u>	<u>\$ 16,686,295</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Statement of Activities
For the Year Ended December 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions / Programs:							
Governmental Activities							
General government	\$ 428,860	\$ 204,152	\$	\$ 10,987	\$ (213,721)	\$	\$ (213,721)
Public safety	619,105	60,637		20,842	(537,626)		(537,626)
Public works	515,636				(515,636)		(515,636)
Parks and recreation	8,890				(8,890)		(8,890)
Total governmental activities	1,572,491	264,789		31,829	(1,275,873)		(1,275,873)
Business-type Activities							
Water, sewer, and sanitation	2,175,901	2,158,067	200,150	10,827		193,143	193,143
Total business-type activities	2,175,901	2,158,067	200,150	10,827		193,143	193,143
Total Government	\$ 3,748,392	\$ 2,422,856	\$ 200,150	\$ 42,656	(1,275,873)	193,143	(1,082,730)
General revenues:							
Ad valorem taxes					134,826		134,826
Sales taxes					1,185,224	295,685	1,480,909
Franchise taxes					48,564		48,564
Gaming taxes					117,380		117,380
Investment earnings					19,792	7,097	26,889
Miscellaneous					69,014		69,014
Transfers					(6,378)	6,378	
Total general revenues					1,568,422	309,160	1,877,582
Change in net position					292,549	502,303	794,852
Net position - beginning					8,243,413	7,648,030	15,891,443
Net position - ending					\$ 8,535,962	\$ 8,150,333	\$ 16,686,295

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Balance Sheet
Governmental Funds
December 31, 2017

	General	Sales Tax Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 503,396	\$ 549,901	\$ 1,053,297
Investments	1,207,020	2,013,039	3,220,059
Other receivables	141,382	55,628	197,010
Total assets	\$ 1,851,798	\$ 2,618,568	\$ 4,470,366
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 152,013	\$	\$ 152,013
Due to other funds	25,106		25,106
Total liabilities	177,119		177,119
Deferred inflows of resources			
Unavailable revenue			
Property taxes	18,627		18,627
Total deferred inflows of resources	18,627		18,627
Fund balances			
Restricted - public works	51,683	2,618,568	2,670,251
Unassigned	1,604,369		1,604,369
Total fund balances	1,656,052	2,618,568	4,274,620
Total liabilities, deferred inflows of resources and fund balances	\$ 1,851,798	\$ 2,618,568	\$ 4,470,366

The accompanying notes are an integral part of this statement.

Town of Benton
 Benton, Louisiana
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 December 31, 2017

Fund balances - total governmental funds	\$ 4,274,620
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	5,076,193
<p>The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.</p>	29,587
<p>Other long-term assets and other amounts are not available to pay for current-period expenditures and therefore are unavailable in the funds.</p>	
Deferred outflows - pension related	250,546
Unavailable revenue - property taxes	18,627
<p>Long-term liabilities and other amounts, including compensated absences payable and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.</p>	
Net pension liability	(970,661)
Compensated absences	(15,843)
Deferred inflows - pension related	(127,107)
Net position of governmental activities	\$ 8,535,962

The accompanying notes are an integral part of this statement.

Town of Benton
 Benton, Louisiana
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2017

	General	Sales Tax Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 116,197	\$	\$ 116,197
Sales tax	593,853	591,371	1,185,224
Franchise taxes	48,564		48,564
Gaming taxes	117,380		117,380
Intergovernmental - grants	9,131		9,131
Licenses and permits	204,152		204,152
Fines and forfeitures	60,637		60,637
Investment earnings	6,780	13,012	19,792
Miscellaneous	69,014		69,014
Total revenues	<u>1,225,708</u>	<u>604,383</u>	<u>1,830,091</u>
Expenditures:			
Current:			
General government	379,161		379,161
Public safety	598,014		598,014
Public works	307,870		307,870
Parks and recreation	7,020		7,020
Capital outlay	1,148,378		1,148,378
Total expenditures	<u>2,440,443</u>		<u>2,440,443</u>
Excess (deficiency) of revenues over (under) expenditures	(1,214,735)	604,383	(610,352)
Other financing sources (uses):			
Transfers in	1,150,277		1,150,277
Transfers out	(6,655)	(1,150,000)	(1,156,655)
Total other financing sources (uses)	<u>1,143,622</u>	<u>(1,150,000)</u>	<u>(6,378)</u>
Net change in fund balance	(71,113)	(545,617)	(616,730)
Fund balances at beginning of year	<u>1,727,165</u>	<u>3,164,185</u>	<u>4,891,350</u>
Fund balances at end of year	<u>\$ 1,656,052</u>	<u>\$ 2,618,568</u>	<u>\$ 4,274,620</u>

The accompanying notes are an integral part of this statement.

Town of Benton
 Benton, Louisiana
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2017

Net change in fund balances - total governmental funds \$ (616,730)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,148,378) exceeded depreciation (\$250,785) in the current period. 897,593

The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources. 5,887

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable revenue - property taxes	18,627
Non-employer contributions to cost-sharing pension plan	22,698

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Compensated absences	(4,121)
Pension expense	(31,405)

Change in net position of governmental activities	\$ 292,549
---	------------

The accompanying notes are an integral part of this statement.

Town of Benton
 Benton, Louisiana
 Statement of Net Position
 Proprietary Funds
 December 31, 2017

	<u>Business-Type Activities- Enterprise Funds</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,777,473
Investments	1,006,519
Receivables	262,361
Prepaid expenses	22,098
Due from other funds	25,106
Total current assets	<u>3,093,557</u>
Noncurrent assets:	
Restricted cash and cash equivalents	190,190
Capital assets:	
Land	29,500
Construction in process	196,635
Plant and equipment	9,655,468
Less: accumulated depreciation	<u>(4,380,285)</u>
Total noncurrent assets	<u>5,691,508</u>
Total assets	<u>8,785,065</u>
Deferred outflows of resources - pension related	<u>185,825</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>228,377</u>
Total current liabilities	<u>228,377</u>
Noncurrent liabilities:	
Payable from restricted assets:	
Customer deposits	190,190
Net pension liability	<u>376,288</u>
Total noncurrent liabilities	<u>566,478</u>
Total liabilities	<u>794,855</u>
Deferred inflows of resources - pension related	<u>25,702</u>
Net position	
Net investment in capital assets	5,496,818
Unrestricted	<u>2,653,515</u>
Total net position	<u>\$ 8,150,333</u>

The accompanying notes are an integral part of this statement.

Town of Benton
 Benton, Louisiana
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended December 31, 2017

	Business-Type Activities- Enterprise Funds
Operating revenues:	
Charges for service -	
Water sales	\$ 1,387,974
Sewerage service charges	451,023
Solid waste collection	164,922
Other charges and fees	154,148
Total operating revenues	2,158,067
Operating expenses:	
Salaries	297,219
Payroll taxes and benefits	147,257
Office expense	20,830
Insurance	38,540
Professional fees	46,179
Repairs and maintenance	166,298
Telephone	2,986
Utilities	71,411
Travel and training	358
Vehicle operations	29,148
Commerical solid waste	137,814
Miscellaneous	16,826
Supplies	11,426
Water purchases	841,759
Depreciation	347,850
Total operating expenses	2,175,901
Operating loss	(17,834)
Non-operating revenues (expenses):	
Interest income	7,097
Operating grants and contributions	10,827
Sales taxes	295,685
Total non-operating revenues (expenses)	313,609
Transfers in	6,655
Transfers out	(277)
Capital contributions	200,150
Total other financing sources (uses)	206,528
Change in net position	502,303
Net position - beginning of year	7,648,030
Net position - end of year	\$ 8,150,333

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	<u>Business-Type Activities- Enterprise Funds</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,121,719
Cash payments to suppliers for goods and services	(1,349,373)
Cash payments to employees for services	(406,729)
Net Cash From Operating Activities	<u>365,617</u>
Cash Flows From Non-Capital Financing Activities	
Sales Tax	293,841
Operating grant and contributions	10,827
Transfers from other funds	6,378
Interfund loans	(3,608)
Net Cash From Non-Capital Financing Activities	<u>307,438</u>
Cash Flows From Investing Activities	
Cash payments for purchase of investments	(6,519)
Interest income	7,368
Net Cash from Investing Activities	<u>849</u>
Cash Flows From Capital and Related Financing Activities	
Payments for property and equipment	(200,523)
Net Cash (used in) Capital and Related Financing Activities	<u>(200,523)</u>
Net increase in cash and cash equivalents	473,381
Cash, Beginning of year	<u>1,494,282</u>
Cash, End of year	<u>\$ 1,967,663</u>
Cash and cash equivalents are reflected on the statement of net position as follows:	
Cash and cash equivalents	\$ 1,777,473
Restricted cash and cash equivalents	190,190
	<u>\$ 1,967,663</u>
Reconciliation of Operating Income to Net Cash Used	
By Operating Activities:	
Operating income (loss)	\$ (17,834)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	347,850
Accounts receivable	(24,762)
Accounts payable	40,639
Prepaid expenses	(8,589)
Pension related	20,483
Customer deposits	7,830
Net Cash Flows From Operating Activities	<u>\$ 365,617</u>
Non-cash investing and financing transaction:	
Acquisition of property	
Cost of property and equipment	\$ 405,173
Donated assets	(200,150)
Vendor payable for property and equipment	(4,500)
Cash down payment for property and equipment	<u>\$ 200,523</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017

INTRODUCTION

The Town of Benton is incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor–Board of Aldermen form of government.

(1) Summary of Significant Accounting Policies

The Town of Benton's financial statements are 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 more significant accounting policies established in GAAP and used by the Town of Benton are discussed below.

A. Reporting Entity

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

Governmental Accounting Standards Board established criteria for determining which component units should be considered part of the Town of Benton for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. 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 Town to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
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.

In addition, the GASB states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

As required by generally accepted accounting principles, these financial statements present the Town of Benton and its component unit. The component unit included in the accompanying financial statements is blended with the Town's funds.

Blended Component Unit

Component units that are legally separate from the Town but are so intertwined with the Town that they are, in substance, the same as the Town are blended component units. For a component unit to be blended, the organization's board and the Town must be substantively the same, or the organization must provide services entirely or almost entirely to the Town. The following component unit is reported as part of the Town and blended with the appropriate Town funds:

Metropolitan Planning Commission

The Metropolitan Planning Commission is responsible for the orderly physical development of the Town and the surrounding planning area. The Commission makes recommendations to the Board of Aldermen and the Parish Police Jury. The Metropolitan Planning Commission consists of five members with two appointed by the Town of Benton, two appointed by the Bossier Parish Police Jury, and one member is elected by joint action of the governing authorities. Although the Commission is legally separate, the Town acts as its fiscal agent and has the ability to modify and approve its budget. Separate financial statements are not issued on the Commission since its revenues and expenditures have been historically included as part of the General Fund within the Town's financial statements. Since the Commission provides services almost entirely to the Town and due to the significance of the fiscal dependency relationship, it has been blended with the Town's financial statements.

B. Basic Financial Statements – Government-Wide Statements

The Town of Benton's basic financial statements include both government-wide (reporting the funds maintained by the Town of Benton as a whole) and fund financial statements (reporting the Town of Benton's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's sales tax-streets fund and general fund are classified as governmental activities. The Town's water, sewer, and sanitation services are classified as business-type activities.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

In the government-wide Statement of Net Position, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Town of Benton's net position is reported in three parts – invested in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town of Benton's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, including non-employer contributions to cost-sharing pension plans, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water, sewer, and sanitation services. All revenues and expenses not meeting this definition are classified as non-operating revenues and expenses.

The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town of Benton as an entity and the change in the Town of Benton's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town of Benton are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town of Benton:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town of Benton:
 - a. **General** fund is the general operating fund of the Town of Benton. It is used to account for all financial resources not accounted for and reported in another fund.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

- b. Sales tax fund is the special revenue fund of the Town of Benton. The special revenue fund is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

General Fund – accounts for all financial resources not accounted for and reported in another fund.

Sales Tax – Streets Fund – accounts for the proceeds of sales taxes levied for debt service requirements and street and drainage improvements.

Enterprise Fund – accounts for the provision of water, sewer, and sanitation services of the Town.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budget and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Mayor prepares a proposed budget and submits same to Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budget is adopted on a cash basis for all funds. Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen.

F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Investments are limited by R.S. 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	10–54 years
Infrastructure	40 years
Furniture and equipment	5–20 years
Vehicles	5–10 years
Water and sewer systems	5–50 years

GASB requires the Town to report and depreciate new infrastructure assets effective January 1, 2004. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required.

H. Revenues

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on December 31. Revenues from ad valorem taxes are budgeted in the year billed. The Town bills and collects its own property taxes, using the assessed values determined by the tax assessor of Bossier Parish. Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Town is entitled to the funds.

I. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Restricted net position consists of assets that are restricted by limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted net position. When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

J. Sales Taxes

The General Fund and Special Revenue Fund account for the collection of a one cent sales and use tax each and the distribution of these taxes to other funds of the Town. Also, the enterprise fund accounts for a one-half cent sales and use tax dedicated for sewer system improvements and upkeep. For financial reporting purposes, sales taxes are recorded as revenue in the General, Special Revenue and Enterprise Funds net of collection expenses.

A one cent sales tax is levied by the Town, to be deposited into a special fund (Sales Tax Fund) and dedicated and used for the purposes of opening, constructing, paving, resurfacing, improving and/or maintaining streets, alleys, sidewalks, and bridges; constructing, acquiring, extending, improving, renovating and/or maintaining street lighting facilities, waterworks, sewers and sewerage disposal works, garbage collection and waste disposal facilities, police department stations and equipment, including fire engines, public parks and recreational facilities, and industrial development facilities; and purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, buildings, improvements, and facilities.

An additional one cent sales tax is levied by the Town, to be used for any lawful public purpose of the Town.

A half cent sales tax is also levied by the Town for the purpose of paying for improvements to and the upkeep of the Sewer System within the Town.

The Town entered into an agreement with the City of Bossier City, Louisiana for the City of Bossier City, Louisiana to collect and distribute to the Town it's two and one-half cent sales and use tax. The City of Bossier City, Louisiana charges a collection fee of 1% of the sales tax collected for these services.

K. Compensated Absences

The Town accrues vacation benefits as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

The Town's policy allows sick leave based upon time worked. Employees may carryover unused sick leave, but will not be paid for unused sick leave upon separation from employment.

L. Interfund Activity

Interfund activity is reported as either loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

M. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

N. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net position.

O. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. Accounts receivable for the enterprise fund are shown net of an allowance of \$57,033.

P. Capitalized Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

Q. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

R. Postretirement Benefits

The Town provides no postretirement benefits to its employees.

S. Fund Balance

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

1. Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted - amounts that can be spent only for specific purpose due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

3. Committed – amounts that can be used only for the specific purpose as a result of constraints imposed by the Town Council (the Town's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the Town removes those constraints by taking the same type of action (i.e. legislation, resolution, or ordinance).

4. Assigned – amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.

5. Unassigned – all amounts not included in other spendable classifications.

The Town's policy is to apply expenditures against restricted fund balance and then to other, less-restricted classifications – committed and then assigned fund balances before using unassigned fund balances.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as assigned fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

T. Deferred Inflows / Outflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element *deferred inflows of resources* represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that meet this definition and qualify for reporting in this category. Accordingly, the item pension-related is reported in the statement of net position, and the item unavailable revenue – property taxes is reported in the Balance Sheet.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of item that meets this definition and qualifies for reporting in this category. Accordingly, the item pension-related is reported in the statement of net position.

(Continued)

Town of Benton
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

U. Pension Plan

The Town is a participating employer in a cost-sharing, multiple-employer, defined benefit pension plans as described in Note 14. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions for the plans fiduciary net position have been determined on the same basis as they are reported by the plan.

V. Fair Value Measurements

Generally accepted accounting principles require disclosure to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs – The valuation is based on quoted market prices for identical assets or liabilities traded in active markets;

Level 2 inputs – The valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability;

Level 3 inputs – The valuation is determined by using the best information available under the circumstances and might include the government's own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on lowest level of any input that is significant to the fair value measurement.

(2) Levied Taxes

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State law requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31.

The following is a summary of authorized and levied ad valorem taxes for the year:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General	7.42	7.42	N/A
Streets	4.96	4.96	2025

Approximately 26% of the Town's ad valorem tax revenues are derived from 10 taxpayers.

(Continued)

Town of Benton
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

(3) Cash, Cash Equivalents, and Investments

At December 31, 2017, the Town has cash, cash equivalents, and investments (book balances) totaling \$7,247,538 as detailed below:

A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2017 (book balances) totaled \$3,020,960, of which \$190,190 is shown as a restricted asset. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Investments

The investments are presented in the financial statements at fair value using level 2 fair value measure. At December 31, 2017, the Town had investments totaling \$4,226,578 consisting of certificates of deposit with initial maturities greater than 90 days. The certificates of deposits are carried at cost, which approximates market.

C. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2017, \$6,748,686 of the Town's bank balance of \$7,248,686 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the
 pledging bank's trust department, not
 in the Town's name:

Cash and cash equivalents	\$ 2,772,108
Certificates of deposit	<u>3,976,578</u>
	<u>\$ 6,748,686</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

(Continued)

Town of Benton
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

(4) Receivables

The following is a summary of receivables at December 31, 2017:

Class of Receivable	
Governmental activities –	
Property taxes	\$ 55,240
Sales taxes	111,256
Franchise taxes	11,723
Gaming taxes	16,705
Miscellaneous	<u>2,086</u>
	<u>197,010</u>
Business-type activities –	
Water and sewer charges	234,547
Sales taxes	<u>27,814</u>
	<u>262,361</u>
Total	<u>\$ 459,371</u>

(5) Deferred Inflows and Deferred Outflows of Resources

The Statement of Net Position reports deferred inflows of resources at December 31, 2017, consisting of the following:

	Governmental Activities	Business-type Activities	Total
Pension related - MERS	\$ 70,309	\$ 25,702	\$ 96,011
Pension related - MPERS	<u>56,798</u>		<u>56,798</u>
	<u>\$ 127,107</u>	<u>\$ 25,702</u>	<u>\$ 152,809</u>

The Statement of Net Position reports deferred outflows of resources at December 31, 2017, consisting of the following:

	Governmental Activities	Business-type Activities	Total
Pension related - MERS	\$ 73,588	\$ 185,825	\$ 259,413
Pension related - MPERS	<u>176,958</u>		<u>176,958</u>
	<u>\$ 250,546</u>	<u>\$ 185,825</u>	<u>\$ 436,371</u>

Information about each retirement plan is detailed in Note 14.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

(6) Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance at Jan. 1, 2017	Additions	Deletions	Balance at Dec. 31, 2017
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Construction in Process	\$	\$ 51,317	\$	\$ 51,317
Land	278,571			278,571
Total Capital assets, not being depreciated	278,571	51,317		329,888
Capital assets, being depreciated:				
Buildings	863,909			863,909
Infrastructure	3,673,055	1,041,000		4,714,055
Equipment	487,595	17,538		505,133
Vehicles	358,388	38,523	(23,164)	373,747
Total capital assets, being depreciated, at historical cost	5,382,947	1,097,061	(23,164)	6,456,844
Less accumulated depreciation:				
Buildings	(551,262)	(28,862)		(580,124)
Infrastructure	(269,541)	(180,654)		(450,195)
Equipment	(343,322)	(20,821)		(364,143)
Vehicles	(318,793)	(20,448)	23,164	(316,077)
Total accumulated depreciation	(1,482,918)	(250,785)	23,164	(1,710,539)
Total capital assets, being depreciated, net	3,900,029	846,276		4,746,305
Governmental activities capital assets, net	\$ 4,178,600	\$ 897,593	\$	\$ 5,076,193

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

	Balance at Jan. 1, 2017	Additions	Deletions	Balance at Dec. 31, 2017
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 29,500	\$	\$	\$ 29,500
Construction in progress	32,800	163,835		196,635
Total capital assets, not being depreciated, at historical cost	<u>62,300</u>	<u>163,835</u>		<u>226,135</u>
Capital assets, being depreciated:				
Vehicles	163,051			163,051
Sewer system	3,633,348			3,633,348
Sewer equipment	2,892,900			2,892,900
Water equipment	2,711,349	200,150		2,911,499
Other equipment	54,670			54,670
Total capital assets, being depreciated, at historical cost	<u>9,455,318</u>	<u>200,150</u>		<u>9,655,468</u>
Less accumulated depreciation:				
Vehicles	(156,306)	(3,998)		(160,304)
Sewer system	(2,114,488)			(2,114,488)
Sewer equipment	(485,617)	(236,855)		(722,472)
Water equipment	(1,257,978)	(106,997)		(1,364,975)
Other equipment	(18,046)			(18,046)
Total accumulated depreciation	<u>(4,032,435)</u>	<u>(347,850)</u>		<u>(4,380,285)</u>
Total capital assets, being depreciated, net	<u>5,422,883</u>	<u>(147,700)</u>		<u>5,275,183</u>
Business-type activities capital assets, net	<u>\$ 5,485,183</u>	<u>\$ 16,135</u>	<u>\$</u>	<u>\$ 5,501,318</u>

Included in current year additions is \$201,150 of donated assets acquired through the Town's acceptance of water and sewer systems from subdivisions within the Town's coverage area.

Depreciation expense was charged to Governmental and Business-type Activities as follows:

	Governmental Activities	Business-type Activities
General Government	\$ 37,356	\$
Public safety	22,679	
Public works	190,750	
Water, sewer, and sanitation		347,850
Total	<u>\$ 250,785</u>	<u>\$ 347,850</u>

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

(7) Restricted Assets – Proprietary Fund Type

Restricted assets were applicable to the following at December 31, 2017:

	<u>Enterprise Fund</u>
Customer deposits	\$ 190,190

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2017, consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 126,164	\$ 208,959	\$ 335,123
Payroll liabilities	25,849	19,418	45,267
Total	\$ 152,013	\$ 228,377	\$ 380,390

(9) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$190,190 at December 31, 2017.

(10) Interfund Transfers

Interfund transfers for the year ended December 31, 2017 consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>	<u>Net</u>
Governmental Funds:			
General fund	\$ 1,150,277	\$ 6,655	\$ 1,143,622
Sales Tax - Streets		1,150,000	(1,150,000)
	1,150,277	1,156,655	(6,378)
Enterprise Funds:			
Enterprise Fund	6,655	277	6,378
	6,654	277	6,378
	\$ 1,156,932	\$ 1,156,932	\$

Transfers are used to move revenues from the fund that the statute or budget requires to collect them to the fund that statute or budget requires to expend them.

(11) Interfund Balances

Interfund balances for the year ended December 31, 2017 consisted of \$25,106 due from the General fund to the Enterprise fund.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

(12) Long - Term Liabilities

Long - term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Other long-term liabilities					
Net pension liability - MERS	\$ 280,478	\$	\$ (67,190)	\$ 213,288	\$
Net pension liability - MPERS	896,576		(139,203)	757,373	
Compensated absences	<u>14,376</u>	<u>43,339</u>	<u>(38,460)</u>	<u>19,255</u>	<u>14,895</u>
 Total - Governmental Activities					
Long-term liabilities	<u>\$1,191,430</u>	<u>\$ 43,339</u>	<u>\$ (244,853)</u>	989,916	14,895
 Less amounts due within period of availability - Recorded in accounts payable				<u>(3,412)</u>	<u>(3,412)</u>
 Total long-term liabilities - governmental activities - Government - wide statements				<u>\$ 986,504</u>	<u>\$ 11,483</u>
 Business - type Activities:					
Long - term liabilities					
Net pension liability - MERS	\$ 317,720	\$ 58,568	\$	\$ 376,288	\$
Compensated absences	<u>8,840</u>	<u>9,698</u>	<u>(4,245)</u>	<u>14,293</u>	<u>14,293</u>
 Total - Business - type Activities					
Long - term liabilities	<u>\$ 326,560</u>	<u>\$ 68,266</u>	<u>\$ (4,245)</u>	390,581	14,293
 Less amounts due within period of availability - Recorded in accounts payable				<u>(14,293)</u>	<u>(14,293)</u>
 Total long - term liabilities - business - type activities - Government - wide statements				<u>\$ 376,288</u>	<u>\$</u>

Information about each retirement plan is detailed in Note 14.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

(13) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

(14) Pension Plans

Employees of the Town are members of the Municipal Employees Retirement System or Municipal Police Employees Retirement System (police department employees).

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Plan Description

The Municipal Employees' Retirement System of Louisiana is the administrator of a cost-sharing, multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. Effective October 1, 1978, under Act 788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. Employees of the Town are members of Plan B.

Eligibility Requirements:

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes. Any person eligible for membership but whose first employment making him eligible for membership in the System occurred on or after January 1, 2013 shall become a member of the MERS Plan A Tier 2 or MERS Plan B Tier 2. Employees of the Town are members of Plan B.

Retirement Benefits:

The following brief description of the plan and its benefits is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Any age with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Eligibility for retirement for Plan B Tier 2 for members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age. Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes. Any member of Plan B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

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

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

Cost of Living Increases:

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

Deferred Benefits:

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

Employer Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. Member contributions are at 5% of earnable compensation. For the plan year ending June 30, 2017, the actual employer contribution rate was 11.0% for Plan B. For the plan year beginning July 1, 2017, the actual employer contribution rate is 13.25%. The Town's contributions to the System for the years ended December 31, 2017, 2016, and 2015 were \$60,608, \$52,553, and \$45,636, respectively. Included in contributions for the year ended December 31, 2017, is \$5,000 of contributions for the month of December 2017 which were paid subsequent to year end.

Non-Employer Contributions

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions totaling \$16,964 are recognized as revenue during the year ended December 31, 2017 and excluded from pension expense.

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

At December 31, 2017, the Town reported a liability of \$589,576 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the fiscal year ended June 30, 2017 as compared to the total of all employers' contributions received by the System during the fiscal year ended June 30, 2017. The Town's proportion as measured at June 30, 2017, was .681387%, which was a decrease of .04026% from its proportion measured as of June 30, 2016.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

For the year ended December 31, 2017, the Town recognized pension expense of \$109,817, less employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, (\$5,126).

At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between expected and actual experience	\$ 4,608	\$ 8,192
Changes in proportion and differences between employer contributions and proportionate share of contributions	65,701	17,510
Total	<u>\$ 70,309</u>	<u>\$ 25,702</u>

	<u>Deferred Outflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Changes of assumptions	\$ 9,345	\$ 16,613
Differences between expected and actual experience	1,112	1,976
Net difference between projected and actual earnings on pension plan investments	44,718	79,500
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,626	66,782
Employer contributions subsequent to the measurement Date	11,787	20,954
Total	<u>\$ 73,588</u>	<u>\$ 185,825</u>

The Town reported a total of \$32,741 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017, which will be recognized as a reduction in net pension liability in the year ended December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 48,707
2019	55,047
2020	21,459
2021	5,448
Total	<u>\$ 130,661</u>

(Continued)

Town of Benton
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.4%
Inflation Rate	2.775%
Projected Salary Increases	5.0%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Employees Sex Distinct Table set back 2 years for both males and females.
Disables lives mortality	For disabled annuitants, RP-2000 Disabled Lives Mortality Tables set back 5 years for males and 3 years for females.
Expected Remaining Service Lives	4 years – Plan B

Actuarial valuations involve estimates of the value of reported amounts and assumption about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. The actuarial assumptions used in the June 30, 2017 valuation was based on the results of an experience study, for the period July 1, 2009 to June 30, 2014.

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.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017 are summarized in the following table:

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.3%
Public fixed income	35%	1.6%
Alternatives	<u>15%</u>	<u>.7%</u>
Totals	<u>100%</u>	<u>4.6%</u>
Inflation		2.6%
Expected Arithmetic Nominal Return		7.2%

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.4%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2017:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	\$ 762,822	\$ 589,576	\$ 441,702

Changes in Net Pension Liability

The changes in the net pension liability for the year ended June 30, 2017 were recognized in the current reporting period except as follows:

Differences between Expected and Actual Experience:

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension benefit using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Differences between Projected and Actual Investment Earnings:

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Changes of Assumptions:

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Changes in Proportion:

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

Contributions – Proportionate Share

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan.

Pension Plan Fiduciary Net Position

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

Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2017. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.la.la.gov.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

The Municipal Police Employees' Retirement System (System) is a cost-sharing multiple-employer defined benefit plan administered by a separate board of trustees. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana, 70809.

Plan Description

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 providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

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. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments

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

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

65 years of age or older on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan

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

Initial Benefit Option Plan

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

Contributions

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2017, total contributions due from employers and employees was 41.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 34.25% and 7.5%, respectively. The Town contributions to the System for the years ended December 31, 2017, 2016, and 2015 were \$82,694, \$74,874, and \$76,732, respectively. Included in contributions for the year ended December 31, 2017, were \$5,218 of contributions for the month of December 2017, which were paid subsequent to that date.

(Continued)

Town of Benton
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

Non-Employer Contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions totaling \$16,561 are recognized as revenue during the year ended December 31, 2017 and excluded from pension expense.

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

At December 31, 2017, the Town reported a liability of \$757,373 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on the employer's contributions to the System during the year ended June 30, 2017, as compared to the total of all employers' contributions to the System for the year ended June 30, 2017. At June 30, 2017, the Town's proportion was .086751%, which was a decrease of .00891% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town recognized pension expense of \$96,481, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$(516).

At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,959	\$ 5,821
Changes of assumptions	53,891	
Net difference between projected and actual earnings on pension plan investments	33,155	
Changes in proportion and differences between employer contributions and proportionate share of contributions	47,406	50,977
Employer contributions subsequent to the measurement Date	37,547	
Total	<u>\$ 176,958</u>	<u>\$ 56,798</u>

The Town reported a total of \$37,547 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017, which will be recognized as a reduction in net pension liability in the year ended December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

(Continued)

Town of Benton
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

Year	Amount
2018	\$ 38,676
2019	51,648
2020	10,061
2021	(17,772)
Total	\$ 82,613

Actuarial Methods and Assumptions

The actuarial assumptions used in the June 30, 2017 valuation were based on the assumptions used in the June 30, 2017 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.325%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.70%

	<u>Years of Service</u>	<u>Salary Growth Rate</u>
Salary increases, including inflation and merit	1-2	9.75%
	3 – 23	4.75%
	23 & Over	4.25%

Mortality	<p>RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.</p> <p>RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.</p>
-----------	---

Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
----------------------------	--

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	53%	3.66%
Fixed income	21%	0.52%
Alternatives	20%	1.10%
Other	6%	0.16%
Totals	<u>100%</u>	<u>5.44%</u>
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>8.19%</u>

The discount rate used to measure the total pension liability was 7.325%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The mortality rate assumption used was set based upon 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 then 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 setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.325%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.325% or one percentage point higher 8.325% than the current rate.

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	<u>\$1,046,384</u>	<u>\$757,373</u>	<u>\$ 514,914</u>

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Change in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2017 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Differences between Projected and Actual Investment Earnings:

Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

Changes of Assumptions or Other Inputs:

Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Change in Proportion:

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

Contributions – Proportionate Share

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

Pension Plans Fiduciary Net Positions

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated mounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2017. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.la.gov.

(Continued)

Town of Benton
 Benton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

(15) Leases

The Town leases certain equipment and a building under operating leases. Rental costs on the leases totaled \$7,612 for the year ended December 31, 2017.

The minimum annual commitments under non-cancelable operating leases are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2018	\$ 7,190
2019	5,736
2020	5,736
2021	5,427
2022	<u>3,750</u>
Total	<u>\$ 27,839</u>

(16) Subsequent events

Subsequent events have been evaluated through June 28, 2018, the date the financial statements were available to be issued.

(17) Commitments

As of December 31, 2017, the Town of Benton has commitments for signed construction, engineering, and other contracts of approximately \$448,408. As of December 31, 2017, approximately \$247,952 had been incurred on those contracts, and the balance remaining in those contracts was approximately \$200,456, which will be incurred subsequent to December 31, 2017.

(18) On-behalf Payments

The Town received a total of \$36,375 in police supplemental pay from the State of Louisiana. The Town recognizes this supplemental pay received by the employees as revenues and expenditures of the Town. The revenue is reported in the General Fund under intergovernmental revenues and the expenditure is reported as public safety expenditures.

Town of Benton
 Benton, Louisiana
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 73,336	\$ 70,679	\$ 132,149	\$ 61,470
Sales tax	485,000	582,940	590,165	7,225
Franchise taxes	47,000	58,000	47,396	(10,604)
Gaming taxes	130,000	124,077	112,553	(11,524)
Intergovernmental - grants	4,000	11,250	9,131	(2,119)
Licenses and permits	161,000	203,001	204,174	1,173
Fines and forfeitures	65,000	54,500	60,637	6,137
Investment earnings	5,250	6,150	6,780	630
Miscellaneous	65,750	64,197	69,014	4,817
Total revenues	<u>1,036,336</u>	<u>1,174,794</u>	<u>1,231,999</u>	<u>57,205</u>
Expenditures:				
Current:				
General government	316,571	325,965	373,500	(47,535)
Public safety	760,686	627,031	588,234	38,797
Public works	631,182	535,346	306,520	228,826
Parks and recreation	33,400	7,660	7,446	214
Capital outlay	803,000	905,000	1,051,350	(146,350)
Total expenditures	<u>2,544,839</u>	<u>2,401,002</u>	<u>2,327,050</u>	<u>73,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,508,503)</u>	<u>(1,226,208)</u>	<u>(1,095,051)</u>	<u>131,157</u>
Other financing sources (uses):				
Transfers in	950,000	1,150,000	1,150,277	277
Transfers out			(6,655)	(6,655)
Total other financing sources (uses)	<u>950,000</u>	<u>1,150,000</u>	<u>1,143,622</u>	<u>(6,378)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(558,503)</u>	<u>(76,208)</u>	<u>48,571</u>	<u>124,779</u>
Fund balances at beginning of year	<u>558,503</u>	<u>1,673,486</u>	<u>1,673,486</u>	
Fund balances at end of year	<u>\$</u>	<u>\$ 1,597,278</u>	<u>\$ 1,722,057</u>	<u>\$ 124,779</u>

Town of Benton
 Benton, Louisiana
 Required Supplementary Information
 Budgetary Comparison Schedule
 Sales Tax Fund
 For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	Variance with Final Budget
	Original	(Budgetary Basis)	Positive (Negative)
Revenues:			
Sales tax	\$ 1,570,318	\$ 587,682	\$ (982,636)
Investment earnings		13,012	13,012
Total revenues	<u>1,570,318</u>	<u>600,694</u>	<u>(969,624)</u>
Other financing sources (uses):			
Transfers out	(950,000)	(1,150,000)	(200,000)
Total other financing sources (uses)	<u>(950,000)</u>	<u>(1,150,000)</u>	<u>(200,000)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	620,318	(549,306)	(1,169,624)
Fund balances at beginning of year		<u>3,112,245</u>	<u>3,112,245</u>
Fund balances at end of year	<u>\$ 620,318</u>	<u>\$ 2,562,939</u>	<u>\$ 1,942,621</u>

Town of Benton
 Benton, Louisiana
 Note to Required Supplementary Information
 December 31, 2017

The Town's budget is adopted on a cash basis for all funds, with the exception of ad valorem taxes which are recorded when levied. There was one amendment to the 2017 budget. Budget comparison statements included in the accompanying financial statements include the original and adopted budgets and all amendments. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	General Fund	Sales Tax Fund
Excess of revenues and other sources over expenditures and other uses (budget basis)	\$ 48,571	\$(549,306)
Adjustments:		
Revenue accruals – net	(6,291)	3,689
Expenditure accruals – net	(113,393)	
Excess of revenues and other sources over expenditures and other uses (GAAP) basis	\$(71,113)	\$(545,617)

Town of Benton
 Benton, Louisiana
 Schedule of Proportionate Share of Net Pension Liability
 For the Year Ended December 31, 2017

Municipal Police Employees Retirement System of Louisiana

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.086750%	0.095660%	0.082928%
Proportionate share of the net pension liability	\$ 757,373	\$ 896,576	\$ 649,654
Covered-employee payroll	\$ 261,978	\$ 267,956	\$ 221,827
Proportionate share of the net pension liability as a percentage of covered employee payroll	289.10%	334.60%	292.87%
Plan fiduciary net position as a percentage of the total pension liability	70.08%	66.04%	70.73%

Municipal Employees Retirement System of Louisiana

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.681390%	0.721650%	0.655064%
Proportionate share of the net pension liability	\$ 589,576	\$ 598,198	\$ 445,212
Covered-employee payroll	\$ 505,768	\$ 530,201	\$ 454,529
Proportionate share of the net pension liability as a percentage of covered employee payroll	116.57%	112.82%	97.95%
Plan fiduciary net position as a percentage of the total pension liability	62.49%	62.11%	66.18%

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

Town of Benton
 Benton, Louisiana
 Schedule of Contributions
 December 31, 2017

Municipal Police Employees Retirement System of Louisiana

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 82,694	\$ 74,874	\$ 76,732
Contributions in relation to the contractually required contribution	<u>82,694</u>	<u>74,874</u>	<u>76,732</u>
Contribution deficiency (excess)			
Covered-employee payroll	\$266,979	\$244,903	\$252,474
Contributions as a percentage of covered-employee payroll	30.97%	30.57%	30.39%

Municipal Employees Retirement System of Louisiana

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 60,608	\$ 52,553	\$ 45,636
Contributions in relation to the contractually required contribution	<u>60,608</u>	<u>52,553</u>	<u>45,636</u>
Contribution deficiency (excess)			
Covered-employee payroll	\$500,440	\$513,334	\$480,380
Contributions as a percentage of covered-employee payroll	12.11%	10.24%	9.50%

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

Town of Benton
Benton, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2017

Mayor - Shelly G Horton, Jr.	\$ 40,000
Aldermen:	
Ronald Jones	5,100
Linda Gates	5,100
Donna Wyatt	5,100
Jackie Carr	5,100
Wayne Cathcart	5,100
	<hr/>
	\$ 65,500
	<hr/>

Town of Benton
Benton, Louisiana
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2017

Agency Head: Shelly G. Horton, Jr., Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 40,000
Benefits-insurance	200
Registration fees	75
Reimbursements	91

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

STUART L. REEKS, CPA
J. PRESTON DELAUNE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Town of Benton
Benton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the Town of Benton, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Benton's basic financial statements, and have issued our report thereon dated June 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Benton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Benton's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Benton'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Benton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current year audit findings as item 2017-001.

Town of Benton's Response to Finding

Town of Benton's response to the finding identified in our audit is described in the accompanying schedule of current year audit findings. Town of Benton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Cook & Morehart
Certified Public Accountants
June 28, 2018

Town of Benton
Benton, Louisiana
Summary Schedule of Prior Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2017

2016-001 - Budget

Finding: The Town adopted the budget for the Sales Tax Fund in a format that resulted in actual revenues and other financing sources failing to meet budgeted amounts by more than five percent.

Recommendation: We recommend that the Town utilize the correct format, as set forth in the Local Government Budget Act, in order to comply with state law.

Current Status: See finding in current year audit.

2016-002 – Billing Adjustments

Significant Deficiency: During our audit, we noted that billing adjustments as posted in the Town's subsidiary utility billing software were not reviewed to ensure that all adjustments were properly approved. Although a process was in place for approval of billing adjustments, there was no subsequent monitoring of all of the adjustments which were posted in the billing software to ensure that all those posted were indeed approved. Adjustments posted per the utility billing software could not be reconciled to the Town's accounts receivable tracking report, or to approved billing adjustment forms.

Recommendation: We recommend the Town establish controls to ensure that activity posted to the Town's subsidiary utility billing software, including all adjustments made, are reviewed and properly approved and are reconciled to the Town's general ledger on a current basis.

Current Status: Improvement noted. No significant deficiency reported in current year audit.

2016-003 – Accounting Records

Significant Deficiency: During our audit, we noted that some bank accounts were not reconciled correctly during the year. We also noted significant posting errors in the Town's general ledger. In addition, the interagency due to and due from accounts were not reconciled during the year.

Recommendation: We recommend the Town establish controls to ensure that the general ledger – accounting records are properly posted during the year, to include ensuring that bank accounts and interagency due to and due from accounts are properly reconciled. We further recommend that the Town review its' general ledger on a monthly basis to identify and correct posting errors.

Current Status: Improvement noted. No significant deficiency noted in current year audit.

Town of Benton
Benton, Louisiana
Summary Schedule of Current Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2017

2017-001 - Budget

Criteria: The Local Government Budget Act sets forth the requirements for adopting and amending the Town's budget.

Finding: The Town adopted the budget for the Sales Tax Fund in a format that resulted in actual revenues and other financing sources failing to meet budgeted amounts by more than five percent, and actual other financing uses exceeding budgeted amounts by more than five percent. In addition, the budget was not advertised 10 days prior to adoption.

Cause: The budget documents and supporting information utilized in preparing the Sales Tax fund budget were in such a format that caused the budget variance. Also, the Town inadvertently did not advertise the budget as required by state law.

Effect: The Town was not in compliance with the Local Government Budget Act.

Recommendation: We recommend that the Town utilize the correct format, as set forth in the Local Government Budget Act, and that the budget be advertised prior to adoption, as required by state law.

Management's Response: The Town will utilize the correct format in adopting its budget in the future. The Town will advertise and adopt its budget in accordance with state law.

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

STUART L. REEKS, CPA
J. PRESTON DELAUNE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Alderman
Town of Benton
Benton, Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Benton (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, 2017 through December 31, 2017. The Town of Benton's (Town) 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***, including receiving, recording, and preparing deposits
 - 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
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Town provided written policies and procedures addressing all of the above.

Board (or Finance Committee, if applicable)

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

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

The Board of Alderman of the Town met on a monthly basis.

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

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

The minutes of the board of alderman referenced and included budget to actual comparisons on the general fund.

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

The minutes of the Board of Alderman of the Town did reference non-budgetary financial information 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.

Management provided the requested information, along with management's representation that the listing is complete.

- 4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for each month examined.

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

There was evidence of management or a board member review of bank reconciliations.

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

Exception: There was no indication that management had researched outstanding items that were more than 6 months old on one (1) of the bank accounts tested.

Management's Response: Management will research old outstanding items and follow up as deemed necessary.

Collections

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

Management provided the requested information, along with management's representation that the listing is complete.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

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

The person responsible for collecting cash was insured under a blanket crime insurance policy. Each person responsible for collecting cash was not required to share the same cash register or drawer with another employee. Each person responsible for collecting cash was not responsible for depositing cash in the bank, recording the related transaction, or reconciling the related bank account, except as noted below.

Exception: The persons' responsible for cash collections are also responsible for depositing cash in the bank.

Management's Response: All daily work is reviewed and approved by an individual not responsible for collecting cash, depositing cash in the bank, recording the transaction, or reconciling the bank account.

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

The Town has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers by a person who is not responsible for cash collections in the cash collection location selected.

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

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

For the week selected, deposits were processed within one day of collection.

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

For the week selected, daily cash collections were completely supported by collection documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The Town has a process specifically defined to determine completeness of collections by a person who is not responsible for collections.

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

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

Management provided the requested information, along with management's representation that the listing is complete.

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

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

Purchases selected for testing were initiated using a requisition/purchase order system.

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

Purchase orders were approved by a person who did not initiate the purchase.

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

Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice, except as noted below

Exception: Five (5) of the twenty-five (25) items tested were transactions that should have a receiving report. No receiving reports were attached.

Management's Response: Management approves all purchases prior to payment. Receiving reports will be attached in the future when feasible.

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

The Town's policy is that new vendors can only be added to the purchase/disbursement system from an approved purchase order. The person approving the purchase orders is not responsible for processing payments.

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

Persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

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

Unused checks are maintained in a locked location; no individuals with signatory authority have access to unused checks.

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

Persons with signatory authority do not use a signature stamp or signature machine. Checks are maintained under the control of an authorized user until mailed.

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

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

Management provided the requested information, along with management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

For each card selected for testing, there were attributes indicating that someone other than the authorized card holder reviewed and approved the monthly statements and supporting documentation for the items selected for testing.

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

There were no finance charges or late fees assessed on the cards selected for testing.

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

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

- An original itemized receipt (i.e., identifies precisely what was purchased)

Transactions tested were supported by original itemized receipts.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Transactions tested contained documentation of business purpose.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No other documentation is required by the Town's written credit card policy.

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

We compared each transaction tested to the agency's written policies and public bid law. There were no exceptions noted.

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

The Town's documentation met the requirements of Article 7, Section 14.

Travel and Expense Reimbursement

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

Management provided the requested information, along with management's representation that the listing is complete.

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

The rates established in the Town's policy do not exceed the GSA per diem or mileage rates.

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

The reimbursements selected were supported with documentation in accordance with Town's written policies.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
Expenses selected for testing contained receipts listing precisely what was purchased.
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
The business purpose was documented on each invoice selected for testing.
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
Other documentation as required by the Town's written policy was attached to items selected for testing.
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

The Town's documentation met the requirements of Article 7, Section 14.

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

For each expense selected for testing, the expense and related documentation was reviewed and approved in writing by someone other than the person receiving reimbursement.

Contracts

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

Management provided the requested information, along with management's representation that the listing is complete.

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

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

There were formal, written contracts supporting the services arrangement and the amounts paid for the contracts selected for testing.

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

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Two (2) of the five (5) contracts selected for testing were subject to the Louisiana Public Bid Law or Procurement Code. The Town complied with the Louisiana Public Bid Law for those contracts.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Exception: For three (3) of the contracts selected for testing, the Town did not solicit quotes as best practice.

Management's Response: Contracts were for professional services which were not subject to public bid law or procurement code. The Town will solicit quotes as a best practice when deemed feasible and practical.

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

One of the contracts selected for testing was amended. The contract increased by \$17,975, which was within the scope of the contract.

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

The largest payment selected for testing from each of the five vendor contracts was supported by invoices that agreed with the terms of the contract.

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

Contracts selected for testing were approved by the Board, in accordance with the Town's policy.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

Management provided the requested information, along with management's representation that the listing is complete.

Randomly select five employees/officials, obtain their personnel files, and:

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

Payment was made in accordance with the terms of approved pay rates.

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

Changes made to hourly pay rates/salaries during the fiscal period were approved in writing and in accordance with the Town's written policy.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

For transactions selected for testing, daily attendance and leave were documented.

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

Transactions selected for testing had evidence that supervisors approved the attendance and leave of the selected employees.

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

For the transactions selected for testing, the Town maintained written leave records.

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

For the two transactions selected for testing, the termination benefits were made in accordance with the Town's written procedures.

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and

employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Employee and employer portions of payroll taxes and retirement contributions, as well as required reporting forms were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

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

The Town maintained documentation to demonstrate that required ethics training was completed, except as noted below.

Exception: Two (2) of the five (5) employees selected for testing did not retain documentation to demonstrate that required ethics training was completed.

Management Response: Management will ensure that all employees retain documentation demonstrating that required ethics training was completed in the future.

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

There were no alleged ethics violations reported to management.

Debt Service (excluding nonprofits)

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

The Town did not issue any new debt during the current fiscal year.

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

The Town has no outstanding debt.

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

The Town has no tax millages relating to debt service.

Other

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

Management is not aware of any misappropriation of public funds or assets.

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

The Town has posted on its premises and website the notice required by R.S. 24:523.1.

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

We have not observed or identified any exceptions regarding management's representations in the above procedures.

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

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

Cook + Morehart

Cook & Morehart
Certified Public Accountants
June 28, 2018