

Town of Gramercy

2018 Financial Statements

TOWN OF GRAMERCY, LOUISIANA

FINANCIAL REPORT

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Gramercy, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Gramercy, Louisiana, (the Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1 to the financial statements, in 2018, the Town adopted Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2018. This new standard requires the Town to recognize and report its total other postemployment benefit liability, measured according to actuarial methods and approaches prescribed within the standard along with certain disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, schedule of changes in total postemployment liability and related ratios on page 47, schedule of the proportionate share of net pension liability for the retirement systems on page 48, the schedule of contributions to the retirement systems on page 49, the notes to the required supplementary information on page 50 and the budgetary comparison schedule on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary comparison schedules of other revenue and expenditures, the schedule of principal officials and salaries, the schedule of compensation, benefits, and other payments to agency head, and the insurance-in-force and public utility operations schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules of other revenue and expenditures on pages 52-54, schedule of principal officials and salaries on page 55, and the schedule of compensation, benefits, and other payments to agency head on page 56 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules of other revenue and expenditures, the schedule of principal officials and salaries and the schedule of compensation, benefits and other payments to agency head are fairly stated in all material respects in relation to the basic financial statements as a whole.



The insurance-in-force and public utility system operations schedules on pages 63-65 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Donaldsonville, Louisiana
December 27, 2018

TOWN OF GRAMERCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

This section of the Town of Gramercy's (The Town) annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Town's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,394,037(net position). Of this amount, \$1,060,427 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- During the year, the Town's governmental activities expenses and transfers were \$295,116 more than the approximately \$2 million generated in charges for services, taxes, and other revenue. In the Town's business-type activities, expenses and transfers out were \$122,287 more than the approximately \$1.2 million generated in revenues.
- The general fund reported a \$4,262,932 fund balance for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements.
 - The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer *short* and *long-term* financial information about the activities. The government operates *like businesses*, such as water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of each of the statements.

TOWN OF GRAMERCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Figure A-1
Major Features of Town's Government and Fund Financial Statements

| | Fund Statements | | |
|---|--|--|--|
| | Government-wide Statements | Governmental Funds | Proprietary Funds |
| Scope | Entire Town government | The activities of the Town that are not proprietary, such as police, fire, and streets | Activities the Town operates similar to private businesses: the water and sewer system |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows |
| Accounting basis and measurements focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payments are due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |

TOWN OF GRAMERCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how they have changed. Net position - the difference between the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure the Town's financial health, or position.

- Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of the Town's roads.

The government-wide financial statements of the Town are divided into two categories:

- Governmental activities - most of the Town's basic services are included here, such as the police, fire, public works, parks department, and general administration. Property taxes, sales taxes, franchise fees, and interest finance most of these activities.
- Business-type activities - The Town charges fees to customers to help it cover the costs of certain services it provides. The Town's water and sewer system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

The Town has two kinds of funds:

- Governmental funds - Most of the Town's basic services are included in its governmental fund, which focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the Town's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

TOWN OF GRAMERCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net position. The Town's combined net position decreased between fiscal years 2017 and 2018 to approximately \$7.4 million. (See Table A-1.)

Table A-1
Town's Net Position

| | Governmental Activities | | Business-Type Activities | |
|--|-------------------------|---------------------|--------------------------|---------------------|
| | 2018 | 2017 Restated | 2018 | 2017 Restated |
| Current and other assets | \$ 4,368,926 | \$ 4,435,645 | \$ 375,402 | \$ 320,721 |
| Capital assets | 1,164,543 | 1,188,400 | 6,261,703 | 6,421,745 |
| Restricted assets | - | - | 267,617 | 269,149 |
| Total assets | 5,533,469 | 5,624,045 | 6,904,722 | 7,011,615 |
| Deferred outflows of resources | 470,204 | 548,525 | 298,912 | 272,486 |
| Total assets and deferred outflows of resources | 6,003,673 | 6,172,570 | 7,203,634 | 7,284,101 |
| Current liabilities | 132,230 | 131,977 | 254,151 | 233,101 |
| Long term liabilities | 2,886,947 | 2,797,048 | 2,405,571 | 2,385,307 |
| Total liabilities | 2,999,177 | 2,929,025 | 2,659,722 | 2,618,408 |
| Deferred inflows of resources | 109,687 | 53,620 | 44,684 | 44,178 |
| Total liabilities and deferred inflows of resources | 3,108,864 | 2,982,645 | 2,704,406 | 2,662,586 |
| Net position | | | | |
| Invested in capital assets, net of related debt | 1,164,543 | 1,188,400 | 5,169,067 | 5,226,641 |
| Unrestricted (deficit) | 1,730,266 | 2,001,525 | (669,839) | (605,126) |
| Total net position | \$ 2,894,809 | \$ 3,189,925 | \$ 4,499,228 | \$ 4,621,515 |

Net position and long-term liabilities as of June 30, 2017 has been restated to reflect the adoption of the new accounting standard regarding the reporting of other postemployment benefits obligation.

Net position of the Town's governmental activities decreased 9.3 percent to approximately \$2.9 million. Net position of the Town's business-type activities decreased approximately 2.6 percent to \$4.5 million.

Changes in net position. The Town's total revenues increased by approximately \$155,000 to \$3.3 million. Approximately 41 percent of the Town's revenue comes from charges for services, and 28 percent comes from tax collections.

TOWN OF GRAMERCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

The Town's total expenses increased by approximately \$214,000 to approximately \$3.67 million. Approximately 63 percent of the Town's expenses come from governmental activities and 37 percent come from its business-type activities. (See Table A-2)

Governmental Activities

Revenues for the Town's governmental activities increased by approximately \$211,000 or 11.5 percent, while total expenses decreased approximately \$15,000 or 0.6 percent. Licenses and permits increased as the result of a new subdivision being built in the Town. Miscellaneous revenue increased as the result of the Gramercy Recreation Contract between the Town and the Parish.

Table A-2
Changes in Town's Net Position

| | Governmental Activities | | Business-Type Activities | |
|---|-------------------------|---------------------|--------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | \$ 288,898 | \$ 268,323 | \$ 1,062,030 | \$ 985,236 |
| Capital grants | 12,538 | 1,230 | - | 139,824 |
| General revenues | | | | |
| Taxes | 790,600 | 745,843 | 130,305 | 124,896 |
| Licenses and permits | 227,302 | 196,651 | - | - |
| Fines and forfeitures | 45,484 | 26,517 | - | - |
| Intergovernmental | 364,982 | 370,989 | - | - |
| Miscellaneous | 285,903 | 218,345 | 14,425 | 12,511 |
| Interest | 34,723 | 11,788 | 72 | 309 |
| Total revenues | 2,050,430 | 1,839,686 | 1,206,832 | 1,262,776 |
| Expenses | | | | |
| General government | 717,094 | 841,215 | 1,363,100 | 1,134,086 |
| Public safety | 645,993 | 643,131 | - | - |
| Streets | 707,459 | 614,977 | - | - |
| Fire | 1,046 | 3,166 | - | - |
| Sanitation | 239,973 | 224,065 | - | - |
| Total expenses | 2,311,565 | 2,326,554 | 1,363,100 | 1,134,086 |
| Other financing resources (uses) | | | | |
| Transfers in | 308,915 | 190,318 | 342,896 | 180,000 |
| Transfers out | (342,896) | - | (308,915) | (370,318) |
| Total other financing resources (uses) | (33,981) | 190,318 | 33,981 | (190,318) |
| Increase (decrease) in net position | \$ (295,116) | (296,550) | \$ (122,287) | (61,628) |
| Beginning net position | | 4,376,994 | | 4,860,871 |
| Effect of change in accounting principle | | (1,187,069) | | (239,356) |
| Ending net position | | \$ 3,189,925 | | \$ 4,621,515 |

Business-type Activities

Revenues for the Town's business - type activities decreased by 4.4 percent to \$1,206,832 while total expenses increased 20.2 percent to \$1,363,100.

TOWN OF GRAMERCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed the year, its general fund reported fund balance of approximately \$4.3 million, a decrease of 0.9 percent from last year.

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the Town budget. These budget amendments resulted from:

- Federal grant revenues were decreased by \$25,000.
- General government expenditures were adjusted to reflect an increase of approximately \$61,000, and street expenditures were adjusted to reflect a decrease of approximately \$155,000. The increase in the general government budget was a result of the Town Hall renovations. The decrease in the streets budget was a result of the Town deciding to delay various street upgrades.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of the 2018 fiscal year, the Town had invested approximately \$7.4 million in a broad range of capital assets, including police equipment, buildings, vehicles, and water and sewer systems. (See Table A-3) This amount represents a net decrease (including additions and deductions) of \$183,899 or 2.4 percent, over last year.

Table A-3
Town's Capital Assets
(net of depreciation)

| | Governmental Activities | | Business Activities | |
|--------------------------|--------------------------------|---------------------|----------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 87,520 | \$ 87,520 | \$ 76,825 | \$ 76,825 |
| Plant & Equipment | - | - | 6,184,878 | 6,344,920 |
| Other Improvements | 837,955 | 874,161 | - | - |
| Equipment | 158,531 | 190,119 | - | - |
| Construction in progress | 80,537 | 36,600 | - | - |
| Total | \$ 1,164,543 | \$ 1,188,400 | \$ 6,261,703 | \$ 6,421,745 |

Net decrease in capital assets is a result of the current year depreciation expense exceeding the current year capital asset additions.

This year's major capital asset activity included:

Governmental Activities:

- Road improvement projects of approximately \$40,000.
- Purchase of a vehicle, maintenance equipment, and technology equipment totaling approximately \$33,000.
- The Town began renovations to the Town Hall during the current year. Costs incurred during the year for this project were approximately \$81,000.

TOWN OF GRAMERCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Outstanding debt. At the end of the current fiscal year, the Town had bonded debt outstanding of \$1,360,253 as compared to \$1,464,253 in the prior year, a decrease of \$104,000 or 7.1 percent. (See Table A-4) More information about the Town's long-term liabilities is presented in Note 6 to the financial statements.

Table A-4
Town's Outstanding Debt

| | <u>Governmental Activities</u> | | <u>Business Activities</u> | |
|-------------------------|--------------------------------|-------------|----------------------------|---------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Sewer Improvement Bonds | \$ - | \$ - | \$ 140,000 | \$ 186,000 |
| Water Improvement Bonds | | | 1,220,253 | 1,278,253 |
| Total | \$ - | \$ - | \$ 1,360,253 | \$ 1,464,253 |

CURRENT YEAR ADOPTION OF NEW ACCOUNTING STANDARDS

For the year ended June 30, 2018, Town of Gramercy adopted Government Accounting Standards Board (GASB) Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's major sources of revenue for the general fund are comprised from sales tax, garbage fees, and video poker at 33%, 12%, and 18% respectively. The economy is not expected to generate any significant growth. All expenditures are expected to be consistent with the current year's.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steven T. Nosacka, Mayor, PO Drawer 340, Gramercy, LA 70052.

TOWN OF GRAMERCY
STATEMENT OF NET POSITION
JUNE 30, 2018

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|---|--|---|---------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 1,470,921 | \$ 223,414 | \$ 1,694,335 |
| Investments | 2,500,873 | - | 2,500,873 |
| Other accounts receivable (net) | 157,834 | 151,988 | 309,822 |
| Due from other governmental agencies | 110,981 | - | 110,981 |
| Prepaid insurance | 128,317 | - | 128,317 |
| Restricted assets - cash | - | 267,617 | 267,617 |
| Capital assets: | | | |
| Non-depreciable | 87,520 | 76,825 | 164,345 |
| Capital assets, net of depreciation | 1,077,023 | 6,184,878 | 7,261,901 |
| Total assets | <u>5,533,469</u> | <u>6,904,722</u> | <u>12,438,191</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred amounts related to net pension liability | 459,862 | 296,746 | 756,608 |
| Deferred amounts related OPEB | 10,342 | 2,166 | 12,508 |
| Total deferred outflows of resources | <u>470,204</u> | <u>298,912</u> | <u>769,116</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | 61,050 | 29,815 | 90,865 |
| Due to employees' retirement systems | 36,757 | - | 36,757 |
| Accrued interest payable | - | 14,798 | 14,798 |
| Accrued salaries payable and related benefits | 8,187 | 2,401 | 10,588 |
| Compensated absences | 26,236 | 5,310 | 31,546 |
| Payable from restricted assets: | | | |
| Customer service meter deposits | - | 94,827 | 94,827 |
| Bonds payable due within one year | - | 107,000 | 107,000 |
| Long-term liabilities: | | | |
| Bonds payable in more than one year | - | 1,253,253 | 1,253,253 |
| Other postemployment benefits payable | 1,508,184 | 315,938 | 1,824,122 |
| Net pension liability | 1,358,763 | 836,380 | 2,195,143 |
| Total liabilities | <u>2,999,177</u> | <u>2,659,722</u> | <u>5,658,899</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred amounts related to net pension liability | 27,151 | 27,394 | 54,545 |
| Deferred amounts related to OPEB | 82,536 | 17,290 | 99,826 |
| Total deferred inflows of resources | <u>109,687</u> | <u>44,684</u> | <u>154,371</u> |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | 1,164,543 | 5,169,067 | 6,333,610 |
| Unrestricted | 1,730,266 | (669,839) | 1,060,427 |
| Total net position | <u>\$ 2,894,809</u> | <u>\$ 4,499,228</u> | <u>\$ 7,394,037</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF GRAMERCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|--|---------------------|---|-------------------|--|-----------------------------|---------------------|
| | Expenses | Fees, Fines, and Charges for Services | Capital Grants | Governmental Activities | Business-Type Activities | |
| <u>Functions/Programs</u> | | | | | | |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 717,094 | \$ - | \$ - | \$ (717,094) | \$ - | \$ (717,094) |
| Streets | 707,459 | - | 12,538 | (694,921) | - | (694,921) |
| Public safety | 645,993 | - | - | (645,993) | - | (645,993) |
| Sanitation | 239,973 | 288,898 | - | 48,925 | - | 48,925 |
| Fire | 1,046 | - | - | (1,046) | - | (1,046) |
| Total governmental activities | <u>2,311,565</u> | <u>288,898</u> | <u>12,538</u> | <u>(2,010,129)</u> | <u>-</u> | <u>(2,010,129)</u> |
| Business-type activities: | | | | | | |
| Public utility | 975,765 | 676,797 | - | - | (298,968) | (298,968) |
| Sewer | 387,335 | 385,233 | - | - | (2,102) | (2,102) |
| Total business-type activities | <u>1,363,100</u> | <u>1,062,030</u> | <u>-</u> | <u>-</u> | <u>(301,070)</u> | <u>(301,070)</u> |
| Total primary government | <u>\$ 3,674,665</u> | <u>\$ 1,350,928</u> | <u>\$ 12,538</u> | <u>(2,010,129)</u> | <u>(301,070)</u> | <u>(2,311,199)</u> |
| General Revenues: | | | | | | |
| Taxes | | | | 790,600 | 130,305 | 920,905 |
| Licenses and permits | | | | 227,302 | - | 227,302 |
| Intergovernmental | | | | 364,982 | - | 364,982 |
| Miscellaneous | | | | 285,903 | 14,425 | 300,328 |
| Fines and forfeitures | | | | 45,484 | - | 45,484 |
| Interest | | | | 34,723 | 72 | 34,795 |
| Transfers (to) from other funds | | | | (33,981) | 33,981 | - |
| Total general revenues and transfers | | | | <u>1,715,013</u> | <u>178,783</u> | <u>1,893,796</u> |
| Change in net position | | | | (295,116) | (122,287) | (417,403) |
| Net position - July 1, 2017, as restated | | | | <u>3,189,925</u> | <u>4,621,515</u> | <u>7,811,440</u> |
| Net position - June 30, 2018 | | | | <u>\$ 2,894,809</u> | <u>\$ 4,499,228</u> | <u>\$ 7,394,037</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF GRAMERCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

| | <u>General Fund</u> |
|--------------------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,470,921 |
| Investments | 2,500,873 |
| Other accounts receivable (net) | 157,834 |
| Due from other governmental agencies | 110,981 |
| Prepaid insurance | 128,317 |
| | <hr/> |
| TOTAL ASSETS | \$ 4,368,926 |
| | <hr/> <hr/> |
| LIABILITIES | |
| Accounts payable | \$ 61,050 |
| Payroll taxes payable | 8,187 |
| Due to employees' retirement systems | 36,757 |
| | <hr/> |
| TOTAL LIABILITIES | 105,994 |
| | <hr/> <hr/> |
| FUND BALANCES | |
| Unassigned | 4,262,932 |
| | <hr/> |
| TOTAL FUND BALANCES | 4,262,932 |
| | <hr/> <hr/> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 4,368,926 |
| | <hr/> <hr/> |

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF GRAMERCY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

| | | |
|--|--|--------------|
| Total fund balances - governmental funds | | \$ 4,262,932 |
|--|--|--------------|

Certain long-term assets applicable to the Town's governmental activities are not available to pay in the current period and accordingly are not reported as fund assets.

| | | |
|---|---------------|---------|
| Deferred outflows - related to net pension liability | 459,862 | |
| Deferred outflows - related to other post-employment benefits | <u>10,342</u> | 470,204 |

| | | |
|--|--------------------|-----------|
| Cost of capital assets at June 30, 2018 | 4,003,062 | |
| Less: accumulated depreciation as of June 30, 2018 | <u>(2,838,519)</u> | 1,164,543 |

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

| | | |
|--|-----------------|------------------|
| Compensated absences | | (26,236) |
| Other post-employment benefits payable | | (1,508,184) |
| Net pension liability | | (1,358,763) |
| | | |
| Deferred inflows - related to net pension liability | (27,151) | |
| Deferred inflows - related to other post-employment benefits | <u>(82,536)</u> | <u>(109,687)</u> |

| | | |
|---|--|---------------------|
| Total net position at June 30, 2018 - governmental activities | | <u>\$ 2,894,809</u> |
|---|--|---------------------|

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF GRAMERCY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>General Fund</u> |
|--|-------------------------|
| <u>REVENUES</u> | |
| Ad valorem taxes | \$ 115,212 |
| Sales taxes | 675,388 |
| Garbage fees | 236,203 |
| Dumpster fees | 3,230 |
| Mosquito control | 49,465 |
| Licenses and permits | 227,302 |
| Intergovernmental revenue: | |
| Federal grants | 12,538 |
| State funds: | |
| Beer | 4,157 |
| Video poker | 360,825 |
| Fines and forfeitures | 45,484 |
| Other revenue | 295,660 |
| Total revenues | <u>2,025,464</u> |
| <u>EXPENDITURES</u> | |
| Current operating expenditures: | |
| General government | 562,427 |
| Streets | 488,833 |
| Public safety | 574,482 |
| Sanitation | 239,973 |
| Fire department | 1,046 |
| Capital outlay | 165,458 |
| Total expenditures | <u>2,032,219</u> |
| <u>DEFICIENCY OF REVENUES OVER</u> | |
| <u>EXPENDITURES</u> | (6,755) |
| <u>OTHER FINANCING SOURCES (USES)</u> | |
| Transfers in | 308,915 |
| Transfers out | (342,896) |
| Total other financing uses | <u>(33,981)</u> |
| Change in fund balance | (40,736) |
| <u>FUND BALANCE</u> | |
| Beginning of year | 4,303,668 |
| End of year | <u>\$ 4,262,932</u> |

The accompanying notes to the basic financial statement are an integral part of this statement.

TOWN OF GRAMERCY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | | |
|--|-----------|-----------|
| Net change in fund balances - governmental fund | \$ | (40,736) |
| Capital assets: | | |
| Add: Capital outlay which is considered expenditures | 165,458 | |
| Less: Depreciation expense for year ended June 30, 2018 | (185,482) | |
| Loss on sale of disposal | (3,833) | (23,857) |
| Long-term liabilities: | | |
| Excess of compensated absences earned over compensated absences used | (2,445) | |
| Net change in other post-employment benefits and deferred inflows/outflows of resources | (163,030) | |
| Net change in pension liability and deferred inflows/outflows of resources | (65,048) | (230,523) |
| Change in net position of governmental activities | \$ | (295,116) |

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF GRAMERCY, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

| | Public Utility Revenue Fund | Sewer Operating Fund | Total |
|---|-----------------------------------|----------------------------|---------------------|
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash | \$ 175,494 | \$ 47,920 | \$ 223,414 |
| Accounts receivable (net) | 99,005 | 52,983 | 151,988 |
| Restricted assets - cash | 103,190 | 47,480 | 150,670 |
| Total current assets | <u>377,689</u> | <u>148,383</u> | <u>526,072</u> |
| Noncurrent assets: | | | |
| Restricted assets - cash | 89,727 | 27,220 | 116,947 |
| Capital assets: | | | |
| Non-depreciable | 76,825 | - | 76,825 |
| Capital assets, net of depreciation | 4,902,996 | 1,281,882 | 6,184,878 |
| Total noncurrent assets | <u>5,069,548</u> | <u>1,309,102</u> | <u>6,378,650</u> |
| Total assets | <u>5,447,237</u> | <u>1,457,485</u> | <u>6,904,722</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Pension related | 219,753 | 76,993 | 296,746 |
| Total OPEB liability related | 2,166 | - | 2,166 |
| Total deferred outflows of resources | <u>221,919</u> | <u>76,993</u> | <u>298,912</u> |
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Accounts payable | 13,472 | 16,343 | 29,815 |
| Accrued interest payable | 13,512 | 1,286 | 14,798 |
| Accrued salaries payable and related benefits | 1,921 | 480 | 2,401 |
| Compensated absences | 5,310 | - | 5,310 |
| Payable from restricted assets: | | | |
| Customer service meter deposits | 94,827 | - | 94,827 |
| Bonds payable due within one year | 62,000 | 45,000 | 107,000 |
| Total current liabilities | <u>191,042</u> | <u>63,109</u> | <u>254,151</u> |
| Noncurrent liabilities: | | | |
| Bonds payable in more than one year | 1,158,253 | 95,000 | 1,253,253 |
| Other post-employment benefits payable | 315,938 | - | 315,938 |
| Net pension liability | 619,374 | 217,006 | 836,380 |
| Total noncurrent liabilities | <u>2,093,565</u> | <u>312,006</u> | <u>2,405,571</u> |
| Total liabilities | <u>2,284,607</u> | <u>375,115</u> | <u>2,659,722</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Pension related | 20,286 | 7,108 | 27,394 |
| Total OPEB liability related | 17,290 | - | 17,290 |
| Total deferred inflows of resources | <u>37,576</u> | <u>7,108</u> | <u>44,684</u> |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | 3,952,485 | 1,216,582 | 5,169,067 |
| Unrestricted (deficit) | (605,512) | (64,327) | (669,839) |
| TOTAL NET POSITION | <u>\$ 3,346,973</u> | <u>\$ 1,152,255</u> | <u>\$ 4,499,228</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF GRAMERCY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | Public Utility Revenue Fund | Sewer Operating Fund | Total |
|---|-----------------------------------|----------------------------|---------------------|
| OPERATING REVENUES | | | |
| Sales | \$ 672,847 | \$ 379,933 | \$ 1,052,780 |
| Tap fees | 3,950 | 5,300 | 9,250 |
| Miscellaneous revenues | 11,232 | 3,193 | 14,425 |
| Total operating revenues | <u>688,029</u> | <u>388,426</u> | <u>1,076,455</u> |
| OPERATING EXPENSES | | | |
| Salaries | 366,191 | 120,945 | 487,136 |
| Office expenses | 8,587 | - | 8,587 |
| Miscellaneous expenses | 1,764 | 8,515 | 10,279 |
| Insurance | 96,715 | 8,696 | 105,411 |
| Supplies and maintenance | 68,081 | 32,212 | 100,293 |
| Vehicle expenses | 2,411 | 2,098 | 4,509 |
| Uniforms | 10,704 | - | 10,704 |
| Professional fees | 14,238 | 10,750 | 24,988 |
| Retirement | 120,061 | 48,504 | 168,565 |
| Electricity | 32,440 | 59,575 | 92,015 |
| Payroll taxes | 7,083 | 1,996 | 9,079 |
| Laboratory expenses | 9,325 | 7,760 | 17,085 |
| Chemicals | 47,331 | 11,168 | 58,499 |
| Depreciation | 147,073 | 71,780 | 218,853 |
| Total operating expenses | <u>932,004</u> | <u>383,999</u> | <u>1,316,003</u> |
| OPERATING INCOME (LOSS) | (243,975) | 4,427 | (239,548) |
| NONOPERATING REVENUE (EXPENSES) | | | |
| Ad valorem taxes | 78,909 | 51,396 | 130,305 |
| Interest revenues | 36 | 36 | 72 |
| Interest expense | (43,761) | (3,336) | (47,097) |
| Total nonoperating revenue (expenses) | <u>35,184</u> | <u>48,096</u> | <u>83,280</u> |
| Income before transfers | (208,791) | 52,523 | (156,268) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 161,142 | 181,754 | 342,896 |
| Transfers out | (92,532) | (216,383) | (308,915) |
| Total other financing sources (uses) | <u>68,610</u> | <u>(34,629)</u> | <u>33,981</u> |
| CHANGE IN NET POSITION | (140,181) | 17,894 | (122,287) |
| Total net position- beginning, as restated | 3,487,154 | 1,134,361 | 4,621,515 |
| Total net position- ending | <u>\$ 3,346,973</u> | <u>\$ 1,152,255</u> | <u>\$ 4,499,228</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF GRAMERCY, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | Public Utility Revenue Fund | Sewer Operating Fund | Total |
|---|-----------------------------------|----------------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | |
| Cash received from customers | \$ 701,414 | \$ 378,223 | \$ 1,079,637 |
| Cash payments to suppliers for goods and services | (284,260) | (131,855) | (416,115) |
| Cash payments to employees for services | (414,927) | (149,509) | (564,436) |
| Net cash provided by operating activities | <u>2,227</u> | <u>96,859</u> | <u>99,086</u> |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING</u> | | | |
| <u>ACTIVITIES:</u> | | | |
| Transfers to other funds | (92,532) | (216,383) | (308,915) |
| Transfers from other funds | 161,142 | 181,754 | 342,896 |
| Net cash (used) provided by noncapital financing | <u>68,610</u> | <u>(34,629)</u> | <u>33,981</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED</u> | | | |
| <u>FINANCING ACTIVITIES:</u> | | | |
| Acquisition of capital assets | (21,510) | (37,301) | (58,811) |
| Principal paid on debt | (58,000) | (46,000) | (104,000) |
| Interest paid on indebtedness | (43,761) | (3,336) | (47,097) |
| Receipt of ad valorem taxes | 78,909 | 51,396 | 130,305 |
| Net cash used in capital and related financing activities | <u>(44,362)</u> | <u>(35,241)</u> | <u>(79,603)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | | |
| Interest earned on investments | 36 | 36 | 72 |
| Net cash provided by investing activities | <u>36</u> | <u>36</u> | <u>72</u> |
| Net increase in cash and cash equivalents | 26,511 | 27,025 | 53,536 |
| Cash and cash equivalents - beginning of year | <u>341,900</u> | <u>95,595</u> | <u>437,495</u> |
| Cash and cash equivalents - end of year | <u>\$ 368,411</u> | <u>\$ 122,620</u> | <u>\$ 491,031</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF GRAMERCY, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Public Utility Revenue Fund</u> | <u>Sewer Operating Fund</u> | <u>Total</u> |
|---|--|-------------------------------------|-------------------|
| <u>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u> | | | |
| Income (loss) from operations | \$ (243,975) | \$ 4,427 | \$ (239,548) |
| Adjustments to reconcile income (loss) from operations to net cash provided by operating activities: | | | |
| Depreciation | 147,073 | 71,780 | 218,853 |
| Pension | 72,481 | 34,755 | 107,236 |
| OPEB | 19,028 | - | 19,028 |
| Net change in assets and liabilities: | | | |
| Accounts receivable | 10,590 | (10,203) | 387 |
| Deferred outflows of resources | (17,541) | (8,885) | (26,426) |
| Accounts payable | 7,336 | 8,919 | 16,255 |
| Deferred inflows of resources | 4,440 | (3,934) | 506 |
| Compensated absences | (1,482) | - | (1,482) |
| Customer service meter deposits | 4,277 | - | 4,277 |
| Total adjustments | <u>246,202</u> | <u>92,432</u> | <u>338,634</u> |
| Net cash provided by operating activities | <u>\$ 2,227</u> | <u>\$ 96,859</u> | <u>\$ 99,086</u> |
| Cash Consists of : | | | |
| Current assets | | | |
| Cash | \$ 175,494 | \$ 47,920 | \$ 223,414 |
| Restricted assets - cash | 103,190 | 47,480 | 150,670 |
| Noncurrent assets | | | |
| Restricted assets - cash | 89,727 | 27,220 | 116,947 |
| | <u>\$ 368,411</u> | <u>\$ 122,620</u> | <u>\$ 491,031</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The Town of Gramercy, Louisiana (Town) was incorporated on November 27, 1947, and operates under a Mayor - Board of Aldermen form of government. As authorized by its charter, the Town is responsible for public safety, highways and streets, sanitation, public improvements, and general administrative services.

The Town's basic financial statements consist of the government-wide statements and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. The entity-wide financial statements follow the guidance included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:517, to the guidance set forth in the *Louisiana Governmental Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units* published by the American Institute of Certified Public Accountants.

Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 61, Section 2100, *Defining the Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Since the Town is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments, it is considered a primary government under the provisions of this Statement. As used in GASB Statement No. 61, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. Additionally, the Town does not have any component units, which are defined by GASB Statement No. 61 as other legally separate organizations for which the elected officials are financially accountable. There are no other primary governments with which the Town has a significant relationship.

The following is a summary of certain significant accounting policies and practices:

Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the Town of Gramercy. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between *the governmental and business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation, Basis of Accounting (continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental fund:

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

The Town reports the following two major enterprise funds:

Public Utility Fund and Sewer Fund - These funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing the goods or services to the general public on a continuing basis be financed or recovered through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting

Government-wide, and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting (continued)

Governmental Fund Financial Statements. The governmental fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental fund to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Use of Estimates

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

Pension Plans

The Town is a participating employer in a cost-sharing, multiple-employer defined benefit pension plan as described in Note 10. 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 plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within the plan.

Budgets and Budgetary Accounting

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

1. A proposed budget is prepared and submitted to the Mayor and Board of Aldermen prior to the beginning of each fiscal year.
2. The proposed budget is published in the official journal and made available for public inspection. A public hearing is held to obtain taxpayer comments.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

3. The budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
4. 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 originally estimated require the approval of the Board of Aldermen.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. Budgets for the general, debt service, and proprietary funds are adopted on bases consistent with accounting principles generally accepted in the United States of America (GAAP).
7. Louisiana R.S. 39:1310 requires budgets to be amended when revenue collections plus projected revenue collections for the remainder of a year, within a fund, are failing to meet estimated annual budgeted revenues by five percent or more or expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding estimated budgeted expenditures by five percent or more.

The level of budgetary control is total appropriations. Budgeted amounts are as originally adopted, or as amended by the Board. For the year ended June 30, 2018, amended budgeted revenues decreased from original budgeted amounts for the general fund by approximately \$20,000 and expenditures decreased approximately \$81,000.

Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments include demand deposit accounts, interest-bearing demand accounts, certificates of deposit, and investments in the Louisiana Asset Management Pool with a maturity date within three months of the date of acquisition. Under Louisiana Revised Statutes 39:1271 and 33:2955, the Town may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, and time certificates of deposit with state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasury and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Under State Law, the Town may invest in certificates of deposits. These are classified as cash equivalents if the original maturities are 90 days or less; however, if their original maturity exceed 90 days, these are classified as investments. Investments are stated at cost and approximate fair value. These certificates of deposits have original maturities between 4 and 12 months.

Restricted Assets

Certain customer meter deposits, debt service sinking funds, and ad valorem tax collections are legally restricted as to purpose. These assets have been classified as restricted assets on the Statement of Net Position since the use of these funds is limited by applicable deposit agreements, bond covenants, and tax millages.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------|-------------------------------|
| Buildings | 40 |
| Building Improvements | 15 |
| Other Improvements | 20-40 |
| Vehicles | 5-15 |
| Equipment | 3-15 |

The proprietary fund type operations are accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against their operations. Depreciation has been provided over the assets' estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | | |
|----------------------|------|-------|
| Sewerage system | 40 | years |
| Waterworks system | 40 | years |
| Office equipment | 5-10 | years |
| Automotive equipment | 3-5 | years |

All fixed assets are stated at historical cost.

Accounts Receivable

Uncollectible amounts due from customers for utility services are recognized through the establishment of an allowance for uncollectible accounts at the time information becomes available which indicates the uncollectibility of the particular receivable.

Accumulated Unpaid Vacation

Employees earn vacation leave on January 1st of each year at various rates depending upon the length of their employment. Employees must use their vacation leave in the year earned. The liability for compensated absences reported in the governmental-wide statements consists of unpaid, accumulated annual leave balances at June 30, 2018.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Long -Term Liabilities

In the government-wide Statement of Net Position and in the proprietary fund types' financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs, excluding any prepaid bond insurance, are reported as expense in the year of debt issuance. Bonded debt premiums, discounts, and gains (losses) on refundings are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable is reported net of the applicable bond premium or discount. Gains (losses) on refundings are reported as deferred outflows/inflows of resources.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current financial reporting period. The face amount of the debt issue is reported as "other financing sources." Premiums received on debt issuances are reported as "other financing sources" and discounts on debt are reported as "other financing uses."

Excess revenue contracts, loans, and notes are obligations of the general government and payment of these debts are normally provided by transfers from the General Fund to a debt service fund. However, if a debt is intended to be repaid by an enterprise fund it is recorded as a proprietary long-term debt.

Ad valorem tax revenue bonds are secured by ad valorem tax revenues. For those issues not associated with enterprise fund operations, payment of the debt is provided by ad valorem tax revenue recognized in the appropriate debt service fund. Ad valorem tax revenue bond issues associated with enterprise funds are accounted for in the relevant enterprise fund.

Interfund Balances / Transfers

Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the transfers are accounted for through the various due from and due to accounts.

Deferred Outflows/Inflows of Resources

The statement of financial position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. *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. *Deferred inflows* of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The primary government's deferred outflows of resources on the statement of net position are a result of deferrals concerning pensions and other postemployment benefits.

Note 10 presents detailed information concerning the amounts related to pensions, reported in the deferred inflows and deferred outflows sections of the statement of net position. Note 13 presents detailed information concerning the amounts related to other postemployment benefits, reported in the deferred inflows and deferred outflows sections of the statement of net position.

Statements of Cash Flows

For purposes of the statements of cash flows, the Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances accounting, under which contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Town carries commercial insurance for all risks of loss.

Equity Classifications

Government-wide Statements: In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use for a particular project or service, it is the Town’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements: In the fund financial statements, governmental fund equity is classified as fund balance. As such, fund balance of the governmental fund is classified as follows:

- Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- Committed – amounts that can be used only for specific purposes determined by a formal decision of the Town, which is the highest level of decision-making authority.
- Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.
- Unassigned – all other spendable amounts.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Equity Classifications (continued)

When expenditures are incurred for the purposes for which both restricted and unrestricted amounts are available, the Town reduces restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned, or unassigned amounts are available, the Town reduces committed amounts first, followed by assigned amounts, and finally unassigned amounts, as needed, unless the Town has provided otherwise in its committed or assignment actions.

Arbitrage Liability

Section 148 of the Internal Revenue Code of 1986, as amended, requires that issuers of tax exempt debt make arbitrage calculations annually on bond issues issued after August 31, 1986, to determine whether an arbitrage rebate liability exists between the issuer and the U.S. Department of Treasury. Arbitrage is the difference (or profit) earned from borrowing funds at tax exempt rates and investing the proceeds in higher yielding taxable securities. There are no arbitrage rebate liabilities outstanding to the U.S. Department of Treasury for Town issues at June 30, 2018.

Current Year Adoption of New Accounting Standards

The Town adopted Government Accounting Standards Board (GASB) Statement Number 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net effect to the Town’s Statement of Net Position for the prior year that resulted from the adoption of GASB 75 is as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|---|------------------------------------|-------------------------------------|
| Net Position, June 30, 2017, as previously reported | \$ 4,376,994 | \$ 4,860,871 |
| Reverse postemployment benefit obligation June 30, 2017 | 230,279 | 57,554 |
| Record total postemployment benefit liability June 30, 2017 | <u>(1,417,348)</u> | <u>(296,910)</u> |
| Net effect | <u>(1,187,069)</u> | <u>(239,356)</u> |
| Net Position, June 30, 2017, restated | <u>\$ 3,189,925</u> | <u>\$ 4,621,515</u> |

2. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

At June 30, 2018, the carrying amounts of the Town's cash and cash equivalents were as follows:

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 1,694,335 |
| Restricted cash | 267,617 |
| | <u>\$ 1,961,952</u> |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Cash, Cash Equivalents and Investments (continued)

Cash and Cash Equivalents (continued)

Under state law, these deposits must be secured by either federal deposit insurance or by the pledge of securities owned by a 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 bank.

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. At year-end, the Town's bank balance was \$2,050,874, including certificates of deposits. Of this balance, \$540,000 was secured by federal deposit insurance, \$1,424,346 was collateralized by securities held by the pledging financial institution's trust department or agent, but not in the Town's name, and \$86,528 was uninsured.

Securities that may be pledged as collateral consist of obligations of the U.S. Government and its agencies, obligations of the State of Louisiana and its municipalities and school districts.

Investments

At June 30, 2018, the Town also had invested \$2,460,873 in an external investment pool, Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the state of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

LAMP is a governmental investment pool that reports at fair value. The investments are measured at the net asset value. The following facts are relevant for investment pools:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no public disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM of LAMP's total investments is 47 days (from LAMP's monthly Statement of Net Assets) as of June 30, 2018.

Foreign currency risk: Not applicable.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Cash, Cash Equivalents and Investments (continued)

Investments (continued)

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

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

An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the State of Louisiana has full access to the records of LAMP. LAMP issues financial reports which can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

At June 30, 2018, the Town had the following deposits and investments:

| | |
|--|---------------------|
| LAMP | \$ 2,460,873 |
| Investment in certificates of deposits | 40,000 |
| | <u>\$ 2,500,873</u> |

3. Capital Assets

Capital assets and depreciation activity as of and for the year ended June 30, 2018, are as follows:

| Governmental activities: | Land | Buildings | Other Improvements | Equipment | Construction In Progress | Total |
|---|------------------|----------------|-----------------------|-------------------|-----------------------------|---------------------|
| Cost of capital assets | | | | | | |
| June 30, 2017 | \$ 87,520 | \$ 285,736 | \$ 2,491,938 | \$ 952,787 | \$ 36,600 | \$ 3,854,581 |
| Additions | - | - | 12,100 | 33,190 | 120,168 | 165,458 |
| Disposals | - | - | (3,472) | (13,505) | - | (16,977) |
| Transfers | - | - | 76,231 | - | (76,231) | - |
| Cost of capital assets | | | | | | |
| June 30, 2018 | <u>87,520</u> | <u>285,736</u> | <u>2,576,797</u> | <u>972,472</u> | <u>80,537</u> | <u>4,003,062</u> |
| Accumulated depreciation | | | | | | |
| June 30, 2017 | - | 285,736 | 1,617,777 | 762,668 | - | 2,666,181 |
| Additions | - | - | 123,418 | 62,064 | - | 185,482 |
| Disposals | - | - | (2,353) | (10,791) | - | (13,144) |
| Accumulated depreciation | | | | | | |
| June 30, 2018 | <u>-</u> | <u>285,736</u> | <u>1,738,842</u> | <u>813,941</u> | <u>-</u> | <u>2,838,519</u> |
| Capital assets, net of accumulated depreciation at June 30, 2018 | <u>\$ 87,520</u> | <u>\$ -</u> | <u>\$ 837,955</u> | <u>\$ 158,531</u> | <u>\$ 80,537</u> | <u>\$ 1,164,543</u> |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. Capital Assets (continued)

Depreciation expense of \$185,482 for the year ended June 30, 2018 was charged to the following governmental functions:

| | |
|--------------------|-------------------|
| General Government | \$ 21,845 |
| Streets | 134,291 |
| Public Safety | 29,346 |
| | <u>\$ 185,482</u> |

Business-Type activities:

| | <u>Land</u> | <u>Plant & Equipment</u> | <u>Total</u> |
|---|------------------|----------------------------------|---------------------|
| Cost of capital assets | | | |
| June 30, 2017 | \$ 76,825 | \$ 12,606,444 | \$ 12,683,269 |
| Additions | - | 58,811 | 58,811 |
| Disposals | - | (11,593) | (11,593) |
| Cost of capital assets | | | |
| June 30, 2018 | <u>76,825</u> | <u>12,653,662</u> | <u>12,730,487</u> |
| Accumulated depreciation | | | |
| June 30, 2017 | - | 6,261,524 | 6,261,524 |
| Additions | - | 218,853 | 218,853 |
| Disposals | - | (11,593) | (11,593) |
| Accumulated depreciation | | | |
| June 30, 2018 | <u>-</u> | <u>6,468,784</u> | <u>6,468,784</u> |
| Capital assets, net of accumulated depreciation at | | | |
| June 30, 2018 | <u>\$ 76,825</u> | <u>\$ 6,184,878</u> | <u>\$ 6,261,703</u> |

For the year ended June 30, 2018, depreciation expense was \$ 218,853 and was charged to the following functions:

| | |
|----------------|-------------------|
| Public Utility | \$ 147,073 |
| Sewer | 71,780 |
| | <u>\$ 218,853</u> |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. Capital Assets (continued)

Construction Commitment

The Town has no active construction contracts at June 30, 2018.

4. Receivables

Receivables as of June 30, 2018 for the Town's governmental and business type funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>Governmental</u> | <u>Business-Type</u> | <u>Total</u> |
|----------------------|---------------------|----------------------|-------------------|
| Taxes: | | | |
| Property | \$ 5,045 | \$ 3,040 | \$ 8,085 |
| Accounts | | | |
| Charges for services | 31,300 | 117,277 | 148,577 |
| Less: allowance | (5,026) | (4,709) | (9,735) |
| Accounts, net | 26,274 | 112,568 | 138,842 |
| Other | 126,515 | 36,380 | 162,895 |
| Total receivables | <u>\$ 157,834</u> | <u>\$ 151,988</u> | <u>\$ 309,822</u> |

5. Due from Other Governmental Agencies

Amounts due from other governmental units at June 30, 2018 consist of the following:

| | <u>Governmental</u> | <u>Business-type</u> |
|----------------------------------|---------------------|----------------------|
| St. James Parish – sales tax | \$ 100,564 | \$ - |
| St. James Parish – P&M sales tax | 10,417 | - |
| | <u>\$ 110,981</u> | <u>\$ -</u> |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Long-term liabilities

The following is a summary of the changes in long-term obligations for during the year ended June 30, 2018:

| | <u>Balance 6/30/17</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance 6/30/18</u> | <u>Amt due within 1 year</u> | <u>Amt due after 1 year</u> |
|---|----------------------------|------------------|--------------------|----------------------------|--------------------------------------|---------------------------------|
| Business –type activities: | | | | | | |
| 2013 Sewer Improvement bonds–general obligation refunding bonds | \$ 186,000 | \$ - | \$ 46,000 | \$ 140,000 | \$ 45,000 | \$ 95,000 |
| 2013 Water Improvement bonds-general obligation bonds | 962,000 | - | 46,000 | 916,000 | 48,000 | 868,000 |
| 2016 Water Improvement bonds-general obligation bonds | <u>316,253</u> | <u>-</u> | <u>12,000</u> | <u>304,253</u> | <u>14,000</u> | <u>290,253</u> |
| | <u>\$1,464,253</u> | <u>\$ -</u> | <u>\$ 104,000</u> | <u>\$1,360,253</u> | <u>\$ 107,000</u> | <u>\$1,253,253</u> |

Bonds payable at June 30, 2018, were comprised of the following individual issues:

Business-type activities:

\$358,000 General Obligation Refunding Bond Series 2013;
due in various semi-annual installments, including interest
at 1.77%, through March 1, 2021; payable from ad
valorem taxes

\$ 140,000

\$1,500,000 General Obligation Bond Series 2013; due in
various semi-annual installments, including interest
at 2.95%, through March 1, 2033; payable from ad
valorem taxes

916,000

\$500,000 General Obligation Bond Series 2016; due in
various semi-annual installments, including interest
at 2.95%, through March 1, 2036; payable from ad
valorem taxes

304,253

Total debt

\$ 1,360,253

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Long-term liabilities (continued)

Bonds Payable (continued)

The annual requirements to amortize all outstanding revenue bonds as of June 30, 2018, including interest payments of \$376,896 are as follows:

| Year ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 107,000 | \$ 43,670 | \$ 150,670 |
| 2020 | 111,000 | 40,804 | 151,804 |
| 2021 | 112,000 | 37,850 | 149,850 |
| 2022 | 67,000 | 34,845 | 101,845 |
| 2023 | 71,000 | 32,603 | 103,603 |
| 2024-2028 | 386,000 | 126,315 | 512,315 |
| 2029-2033 | 458,000 | 56,679 | 514,679 |
| 2034-2036 | 48,253 | 4,130 | 52,383 |
| | <u>\$ 1,360,253</u> | <u>\$ 376,896</u> | <u>\$ 1,737,149</u> |

As part of the various Bond agreements the Town has agreed to comply with certain covenants. The covenants consist, primarily, of reporting and auditing requirements, insurance coverage, restrictions on additional debt, maintenance of various deposit accounts, and other administrative requirements. The Town has classified restricted cash within its general ledger accounting system, and has maintained separate deposit accounts required by the covenants. Both bonds are payable from ad valorem taxes.

7. Ad Valorem Taxes

Ad valorem taxes attach as enforceable liens on all applicable property on February 28th of each year. Taxes are levied and are billed to the taxpayers in November of each year. Billed ad valorem taxes become delinquent on January 1st of the following calendar year.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of St. James Parish. During the year ended June 30, 2018, taxes of 12.81 mills were levied on property with assessed valuations totaling \$18,777,628 for general purposes. 5.99 mills are levied for general purposes. Within the 5.99 mills are funds designated for the repayment of the \$500,000 water improvement bonds. Additional taxes of 2.69 mills for the \$358,000 sewer improvement bonds and 4.13 mills for the \$1.5 million water improvement bonds were levied on the same property for the purpose of accumulating enough funds to service the annual debt requirements as they become due. Levied mills expire at the expiration of each debt requirement.

Ad valorem taxes levied during the year ended June 30, 2018, totaled approximately \$246,000.

8. Transfers to/from Other Funds

Interfund transfers at June 30, 2018, were as follows:

| Fund | Transfers In | Transfers Out |
|-----------------------------|-------------------|-------------------|
| General Fund | \$ 308,915 | \$ 342,896 |
| Enterprise Funds: | | |
| Public Utility Revenue Fund | 161,142 | 92,532 |
| Sewer Operating Fund | 181,754 | 216,383 |
| | <u>\$ 651,811</u> | <u>\$ 651,811</u> |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. Individual Funds with Deficits

Expenses / expenditures exceeded revenues during the fiscal year ended June 30, 2018 for the following funds:

| | |
|---------------------|-------------------|
| General Fund | \$ 40,736 |
| Public Utility Fund | 140,181 |
| | <u>\$ 180,917</u> |

The deficit was covered by the fund balance or net position carried forward from previous years.

10. Pension and Retirement Plans

The Town of Gramercy (the Town) is a participating employer in two cost-sharing defined benefit pension plans. These plans are administered by two public employee retirement systems, the Municipal Employees' Retirement System of Louisiana (MERS) and the Municipal Police Employees' Retirement System (MPERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. Each system is administered by a separate board of trustees.

Each of the Systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

MERS:
7937 Office Park Boulevard
Baton Rouge, Louisiana 70809
(225) 925-4810
www.mersla.com

MPERS:
7722 Office Park Boulevard, Suite 200
Baton Rouge, LA 70809
(225) 929-7411
www.lampers.org

The Town implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. These standards require the Town to record its proportional share of each of the pension plans Net Pension Liability and report the following disclosures:

Plan Descriptions:

Municipal Employees' Retirement System of Louisiana (MERS)

The Municipal Employees' Retirement System of Louisiana (MERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The plan provides retirement, disability, and survivor benefits to eligible state employees as defined in LRS 11:1732. The age and years of creditable service required in order for a member to receive retirement benefits are established by LRS 11:1801.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Pension and Retirement Plans (continued)

Plan Descriptions: (continued)

Municipal Police Employees' Retirement System (MPERS)

The Municipal Police Employees' Retirement System (MPERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The plan provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with 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.

Funding Policy

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

Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2018, for the Town and covered employees were as follows:

| | <u>Town</u> | <u>Employees</u> |
|--|-------------|------------------|
| Municipal Employees' Retirement System Plan A | | |
| Members hired prior to 01/01/2013 | 24.75% | 9.50% |
| Members hired after 01/01/2013 | 24.75% | 9.50% |
| Municipal Police Employees' Retirement System | | |
| All employees hired prior to 01/01/2013 and all Hazardous Duty employees hired after 1/01/2013 | 30.75% | 10.00% |
| Non-Hazardous Duty (hired after 01/01/2013) | 30.75% | 8.00% |
| Employees receiving compensation below poverty guidelines of US Department of Health | 33.25% | 7.50% |

The contributions made to the Systems for the past three fiscal years, which equaled the required contributions for each of these years, were as follows:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|-------------|
| Municipal Employees' Retirement System Plan A | \$ 161,500 | \$ 148,110 | \$ 111,875 |
| Municipal Police Employees' Retirement System | \$ 71,485 | \$ 75,503 | \$ 61,451 |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Pension and Retirement Plans (continued)

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

The following schedule lists the Town's proportionate share of the Net Pension Liability allocated by each of the pension plans for based on the June 30, 2017 measurement date. The Town uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2018 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2017 along with the change compared to the June 30, 2016 rate. The Town's proportion of the Net Pension Liability was based on the Town's contributions to the pension plan relative to all participating employers.

| | <u>Net Pension Liability at June 30, 2017</u> | <u>Rate at June 30, 2017</u> | <u>Increase (Decrease) on June 30, 2016 Rate</u> |
|--|---|----------------------------------|--|
| Municipal Employees' Retirement System Plan A | \$ 1,499,695 | 0.3585% | 0.0198% |
| Municipal Police Employees' Retirement System | <u>695,448</u> | 0.0797% | 0.0053% |
| | <u>\$ 2,195,143</u> | | |

The following schedule lists the pension plan's recognized pension expense of the Town for the year ended June 30, 2018:

| | |
|---|-------------------|
| Municipal Employees' Retirement System Plan B | \$ 246,861 |
| Municipal Police Employees' Retirement System | <u>154,635</u> |
| | <u>\$ 401,496</u> |

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 4,555 | \$ (51,020) |
| Changes of assumptions | 74,561 | - |
| Net difference between projected and actual earnings on pension plan investments | 332,860 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 111,647 | (3,525) |
| Employer contributions subsequent to the measurement date | <u>232,985</u> | - |
| Total | <u>\$ 756,608</u> | <u>\$ (54,545)</u> |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Pension and Retirement Plans (continued)

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

Summary totals of deferred outflows of resources and deferred inflows of resources by pension plan:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Municipal Employees' Retirement System Plan A | \$ 532,088 | \$ (49,120) |
| Municipal Police Employees' Retirement System | 224,520 | (5,425) |
| | <u>\$ 756,608</u> | <u>\$ (54,545)</u> |

The Town reported a total of \$232,985 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 June 30, 2019. The following schedule list the pension contributions made subsequent to the measurement period for each pension plan:

| | <u>Subsequent Contributions</u> |
|---|-------------------------------------|
| Municipal Employees' Retirement System Plan A | \$ 161,500 |
| Municipal Police Employees' Retirement System | 71,485 |
| | <u>\$ 232,985</u> |

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

| <u>Year</u> | <u>MERS</u> | <u>MPERS</u> | <u>Total</u> |
|-------------|-------------------|-------------------|-------------------|
| 2018 | \$ 101,706 | \$ 65,884 | \$ 167,590 |
| 2019 | 140,583 | 63,140 | 203,723 |
| 2020 | 65,616 | 34,904 | 100,520 |
| 2021 | 13,563 | (16,318) | (2,755) |
| | <u>\$ 321,468</u> | <u>\$ 147,610</u> | <u>\$ 469,078</u> |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Pension and Retirement Plans (continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of June 30, 2017 are as follows:

| Valuation Date | <u>MERS</u> | <u>MPERS</u> | |
|---|--|--|---------------------------|
| | June 30, 2017 | June 30, 2017 | |
| Actuarial Cost Method | Entry Age Normal Cost | Entry Age Normal cost | |
| Actuarial Assumptions: | | | |
| Expected Remaining Service Lives | 3 years | 4 years | |
| Investment Rate of Return | 7.40% | 7.325% net of investment expenses | |
| Inflation Rate | 2.775% | 2.700% | |
| Mortality | For annuitant and beneficiary, mortality tables used were RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA. For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females. For disable Annuitants, RP-2000 Disable Lives Mortality Table set back 5 years for males and set back 3 years for females. | Mortality assumptions were 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 assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables. | |
| Salary Increases | 5.0% | <u>Years of Service</u> | <u>Salary Growth Rate</u> |
| | | 1-2 | 9.75% |
| | | 3-23 | 4.75% |
| | | Over 23 | 4.25% |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Pension and Retirement Plans (continued)

Actuarial Assumptions (continued)

| | <u>MERS</u> | <u>MPERS</u> |
|-----------------------------------|---|--|
| Cost of Living Adjustments | <p>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</p> | <p>The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.</p> <p>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.</p> <p>Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.</p> |

The following schedule list the methods used by each of the retirement systems in determining the long term rate of return on pension plan investments:

| <u>MERS</u> | <u>MPERS</u> |
|--|--|
| <p>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 of 2.60% and an adjustment for the effect of rebalancing /diversification. The resulting expected long-term rates of return is 7.20% for the year ended June 30, 2017.</p> | <p>The forecasted 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 of 2.75 % and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long term rate of return is 8.19% for the year ended June 30, 2017.</p> |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Pension and Retirement Plans (continued)

Actuarial Assumptions (continued)

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June 30, 2017:

| Asset Class | Target Allocation | | Long-Term Expected Real Rate of Return | |
|------------------------------------|-------------------|--------|--|-------|
| | MERS | MPERS | MERS | MPERS |
| Public equity | 50.0% | - | 2.30% | - |
| Equity | - | 53.0% | - | 3.66% |
| Public fixed income | 35.0% | - | 1.60% | - |
| Fixed Income | - | 21.0% | - | 0.52% |
| Alternatives | 15.0% | 20.0% | 0.70% | 1.10% |
| Other | - | 6.0% | - | 0.16% |
| Total | 100.0% | 100.0% | 4.60% | 5.44% |
| Inflation | | | 2.60% | 2.75% |
| Expected Arithmetic Nominal Return | | | 7.20% | 8.19% |

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for MERS and MPERS was 7.40%, and 7.33%, respectively for the year ended June 30, 2017.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

| | 1.0% Decrease | Current Discount Rate | 1.0% Increase |
|---------------------------------|---------------|-----------------------|---------------|
| MERS | | | |
| Rates | 6.40% | 7.40% | 8.40% |
| Town of Gramercy's Share of NPL | \$ 1,911,109 | \$ 1,499,695 | \$ 1,148,769 |
| MPERS | | | |
| Rates | 6.33% | 7.33% | 8.33% |
| Town of Gramercy's Share of NPL | \$ 960,829 | \$ 695,448 | \$ 472,813 |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Pension and Retirement Plans (continued)

Payables to the Pension Plan

The Town recorded accrued liabilities to each of the Retirement Systems for the year ended June 30, 2018 mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accounts, salaries and other payables. The balance due to each for the retirement systems at June 30, 2018 is as follows:

| | |
|-------|----------------------|
| | <u>June 30, 2018</u> |
| MERS | \$ 25,409 |
| MPERS | <u>11,348</u> |
| | <u>\$ 36,757</u> |

11. Segments of Enterprise Activities

Water and sewerage services are provided by the Town and are financed by user charges. The significant financial data for the year ended June 30, 2018, for these services are as follows:

| | | | |
|--|---------------------------|---------------|--------------|
| | <u>Public Utility</u> | <u>Sewage</u> | <u>Total</u> |
| Operating revenues | \$ 688,029 | \$ 388,426 | \$ 1,076,455 |
| Operating expenses | 932,004 | 383,999 | 1,316,003 |
| Depreciation | 147,073 | 71,780 | 218,853 |
| Income (loss) from operations | (243,975) | 4,427 | (239,548) |
| Non-operating revenue | 35,184 | 48,096 | 83,280 |
| Net operating transfers in (out) | 68,610 | (34,629) | 33,981 |
| Change in net position | (140,181) | 17,894 | (122,287) |
| Acquisition of capital assets | 21,510 | 37,301 | 58,811 |
| Net working capital | 240,284 | 82,794 | 323,078 |
| Total assets and deferred outflows | 5,669,156 | 1,534,478 | 7,203,634 |
| Total liabilities and deferred inflows | 2,322,183 | 382,223 | 2,704,406 |
| Outstanding general obligation | | | |
| bonds and certificates of indebtedness | 1,220,253 | 140,000 | 1,360,253 |
| Total net position | 3,346,973 | 1,152,255 | 4,499,228 |

12. Restricted Assets

Under the terms of the bond indentures for the water revenue refunding bonds and the sewer improvement bonds, certain revenues are dedicated to the retirement of said bonds, and are to be set aside into special accounts after provisions have been made for the payment of the reasonable and necessary expenses of operating and maintaining the utility systems.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

13. Postemployment health care and life insurance benefits

General Information about the OPEB Plan

Plan description – The Town provides certain continuing health care and life insurance benefits for its retired employees. The Town OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Town. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Town as provided by Louisiana Revised Statute Title 17 Sections 1221 through 1224. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

Benefits Provided – Medical benefits are provided through a fully insured medical plan and are made available to employees upon actual retirement. The employees are covered by one of two retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; and second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service.

Retiree Premiums – Retiree premiums were provided directly from the Town and were used to determine retiree cost projections. The "value of benefits" has been assumed to be the portion of the premium after the retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The active employees and pre-Medicare and Medicare rates are offered multiples and were actuarially determined and were unblended.

Life insurance coverage is continued to retirees by election and the blended rate for active employees and retirees is used. The employer pays for 50% of the "cost" of life insurance after retirement but based on the blended rate. The amount of life insurance is reduced by 25% of the original amount at age 65 and by 50% of the original amount at age 70.

Participation - Employees who receive active benefits are assumed to also receive retiree benefits at retirement. We also assumed employees with spouse coverage would also have spouse coverage as a retiree.

Employees covered by benefit terms – At June 30, 2018, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefit payments | 1 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | <u>16</u> |
| | <u>17</u> |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

13. Postemployment health care and life insurance benefits (continued)

Total OPEB Liability

The Town's total OPEB liability of \$1,824,122 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---------------------------|
| Inflation | 2.5% |
| Salary increases | 3.0%, including inflation |
| Prior discount rate | 3.52% |
| Discount rate | 3.87% annually |
| Healthcare cost trend rates | Flat 5.5% annually |

The discount rate was based on the Bond Buyers' 20 Year General Obligation AA municipal bond index as of the measurement date.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of ongoing evaluations of the assumptions from July 1, 2009 to June 30, 2018.

Changes in the Total OPEB Liability

| | |
|--|---------------------|
| Balance at June 30, 2017 | \$ 1,714,257 |
| Changes for the year: | |
| Service cost | 138,335 |
| Interest | 71,695 |
| Differences between expected and actual experience | 13,550 |
| Changes in assumptions | (108,145) |
| Benefit payments and net transfers | (5,570) |
| Net changes | <u>109,865</u> |
| Balance at June 30, 2018 | <u>\$ 1,824,122</u> |

The amount due within one year for the total OPEB liability is estimated to be \$6,000.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

13. Postemployment health care and life insurance benefits (continued)

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

| | 1.0% Decrease (2.87%) | Current Discount Rate (3.87%) | 1.0% Increase (4.87%) |
|----------------------|----------------------------------|--|----------------------------------|
| Total OPEB liability | \$ 2,248,650 | \$ 1,824,122 | \$ 1,495,912 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

| | 1.0% Decrease (4.5%) | Current Discount Rate (5.5%) | 1.0% Increase (6.5%) |
|----------------------|---------------------------------|---|---------------------------------|
| Total OPEB liability | \$ 1,454,234 | \$ 1,824,122 | \$ 2,315,240 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB expense of \$202,754. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 12,508 | \$ - |
| Change in assumptions | - | (99,826) |
| Total | \$ 12,508 | \$ (99,826) |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years ending June 30: | |
|-----------------------|-------------|
| 2019 | \$ (7,277) |
| 2020 | (7,277) |
| 2021 | (7,277) |
| 2022 | (7,277) |
| 2023 | (7,277) |
| Thereafter | (50,933) |
| | \$ (87,318) |

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

14. Tax Abatement

The local government is subject to certain property tax abatements granted by the Louisiana State Board of Commerce and Industry (the “State Board”), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the government may be subject include those issued for property taxes under the Industrial Tax Exemption Program (“ITEP”) and the Restoration Tax Abatement Program (“RTAP”). In addition, the local government has the authority to grant sales tax rebates to taxpayers pursuant to the Enterprise Zone Tax Rebate Program (“EZ Program”). For the year ending June 30, 2018, the Town did not participate in any Tax Exemption Programs.

15. Litigation and Claims

The Town of Gramercy is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the resolution of these matters is not expected to have a material adverse effect on the financial condition of the Town.

16. Current Accounting Standards Scheduled to be Implemented

Following is a summary of accounting standards adopted by the Governmental Accounting Standards Board (GASB) that are scheduled to be implemented in the future that may affect the Town’s financial report:

GASB Statement 83, *Certain Asset Retirement Obligations (ARO)*. This standard establishes criteria for determining the timing and pattern of recognition of an ARO liability and a corresponding deferred outflow of resources. An ARO is a legally enforceable liability associated with the sale, recycling, retirement, abandonment or disposal in some other manner of a tangible capital asset permanently removed from service. The standard is effective for annual reporting periods beginning after June 15, 2018. The Town will include the requirements of this standard, as applicable, in its June 30, 2019 financial statement. The effect of this standard or its applicability to the Town are unknown at this time.

GASB Statement 87, *Leases*. This standard will require all leases to be reported on the statement of net position under a single accounting model for both lessors and lessees. The statement will require the recognition of lease assets or liabilities for leases previously reported as operating leases. Both operating and capital leases will be reported under this single accounting method and reported by lessees as an intangible right to use asset and by lessors as a receivable with both reporting a deferred inflow of resources. The standard is effective for annual reporting periods beginning after December 15, 2019. The Town will include the requirements of this standard, as applicable, in its June 30, 2021 financial statement. All of the Town’s lease agreements will need to be evaluated to determine the impact of implementing this standard; however, the effect of this standard or its applicability to the Town are unknown at this time.

REQUIRED SUPPLEMENTARY

INFORMATION

TOWN OF GRAMERCY, LOUISIANA

SCHEDULE OF CHANGES IN TOTAL POST-EMPLOYMENT LIABILITY
AND RELATED RATIOS
YEAR ENDED JUNE 30, 2018

| | |
|---|----------------------------|
| Financial reporting date | June 30, 2018 |
| Measurement date | June 30, 2018 |
| Total OPEB Liability | |
| Service cost | \$ 138,335 |
| Interest | 71,695 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | 13,550 |
| Changes of assumptions | (108,145) |
| Benefit payments | (5,570) |
| Net change in total OPEB liability | <u>109,865</u> |
| Total OPEB liability - beginning | <u>1,714,257</u> |
| Total OPEB liability - ending | <u><u>\$ 1,824,122</u></u> |
| | |
| Covered payroll | \$ 968,068 |
| | |
| Net OPEB liability as a percentage of covered payroll | 188.43% |

This schedule is intended to report information for 10 years. Additional years will be displayed as they become available.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75 for this OPEB plan.

Benefit Changes. There were no changes in benefit terms for the year ended June 30, 2018.

Changes in Assumptions. The discount rate changed from 3.52% (June 30, 2017) to 3.87% (June 30, 2018).

See the accompanying notes to the Required Supplementary Information.

TOWN OF GRAMERCY, LOUISIANA

**SCHEDULE OF THE TOWN OF GRAMERCY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY FOR THE RETIREMENT SYSTEMS
FOR THE YEAR ENDED JUNE 30, 2018 (*)**

| | Employer's Proportion of the Net Pension Liability (Assets) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Covered Payroll | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------|--|--|----------------------------------|---|---|
| <u>MERS (Plan A)</u> | | | | | |
| 2017 | 0.3585% | \$ 1,499,695 | \$ 651,032 | 230.3564% | 63.49% |
| 2016 | 0.3387% | 1,388,053 | 566,456 | 245.0416% | 62.11% |
| 2015 | 0.3371% | 1,204,149 | 575,339 | 209.2938% | 66.18% |
| 2014 | 0.3715% | 953,468 | 555,569 | 171.6201% | 73.99% |
| <u>MPERS</u> | | | | | |
| 2017 | 0.7966% | \$ 695,448 | \$ 237,804 | 292.84459% | 70.08% |
| 2016 | 0.0744% | 697,000 | 208,309 | 334.5991% | 66.04% |
| 2015 | 0.0680% | 532,873 | 181,960 | 292.8517% | 70.73% |
| 2014 | 0.0605% | 378,380 | 128,238 | 295.0607% | 75.10% |

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

(*) The amounts presented have a measurement date of June 30 for year listed.

The two Retirement Systems reported in this schedule are as follows:

MERS (Plan A) = Municipal Employees' Retirement System

MPERS = Municipal Police Employees' Retirement System

See the accompanying notes to the Required Supplementary Information.

TOWN OF GRAMERCY, LOUISIANA

**SCHEDULE OF THE TOWN OF GRAMERCY'S CONTRIBUTIONS TO THE RETIREMENT
SYSTEMS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Contractually Required Contribution ¹ | Contributions in Relation to Contractually Required Contribution ² | Contribution Deficiency (Excess) | Covered Payroll ³ | Contribution as a % of Covered Payroll |
|-----------------------------|--|---|--|---------------------------------|--|
| <u>MERS (Plan A)</u> | | | | | |
| 2018 | \$ 161,500 | \$ 161,500 | \$ - | \$ 652,526 | 24.75% |
| 2017 | 148,110 | 148,110 | - | 651,032 | 22.75% |
| 2016 | 111,875 | 111,875 | - | 566,456 | 19.75% |
| 2015 | 113,629 | 113,629 | - | 575,339 | 19.75% |
| <u>MPERS</u> | | | | | |
| 2018 | \$ 71,485 | \$ 71,485 | \$ - | \$ 232,472 | 30.75% |
| 2017 | 75,503 | 75,503 | - | 237,804 | 31.75% |
| 2016 | 61,451 | 61,451 | - | 208,309 | 29.50% |
| 2015 | 57,317 | 57,317 | - | 181,960 | 31.50% |

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

For reference only:

¹ Employer contribution rate multiplied by employer's covered employee payroll

² Actual employer contributions remitted to Retirement Systems

³ Employer's covered employee payroll amount for the fiscal year ended June 30 of each year

See the accompanying notes to the Required Supplementary Information.

TOWN OF GRAMERCY, LOUISIANA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED, JUNE 30, 2018

CHANGES IN BENEFIT TERMS AND ASSUMPTIONS RELATED TO DEFINED PENSION

Changes in benefit terms:

There were no changes in benefit terms for the two pension plans listed for the years presented.

Changes in assumptions:

Municipal Employee's Retirement System (MERS)

Discount Rate:

| Year End | Measurement Date | Rate | Change |
|-----------|------------------|--------|---------|
| 6/30/2018 | 6/30/2017 | 7.400% | -0.100% |
| 6/30/2017 | 6/30/2016 | 7.500% | 0.000% |
| 6/30/2016 | 6/30/2015 | 7.500% | -0.250% |
| 6/30/2015 | 6/30/2014 | 7.750% | |

Investment Rate of Return:

| Year End | Measurement Date | Rate | Change |
|-----------|------------------|--------|---------|
| 6/30/2018 | 6/30/2017 | 7.400% | -0.100% |
| 6/30/2017 | 6/30/2016 | 7.500% | -0.250% |
| 6/30/2016 | 6/30/2015 | 7.750% | |

Salary Increases:

| Year End | Measurement Date | Rate | Change |
|-----------|------------------|--------|---------|
| 6/30/2018 | 6/30/2017 | 5.000% | 0.000% |
| 6/30/2017 | 6/30/2016 | 5.000% | -0.750% |
| 6/30/2016 | 6/30/2015 | 5.750% | |

Municipal Police Employee's Retirement System (MPERS)

Discount Rate:

| Year End | Measurement Date | Rate | Change |
|--|------------------|------|--------|
| <i>No changes to the discount rate for the years presented</i> | | | |

Investment Rate of Return:

| Year End | Measurement Date | Rate | Change |
|-----------|------------------|--------|---------|
| 6/30/2018 | 6/30/2017 | 7.325% | -0.175% |
| 6/30/2017 | 6/30/2016 | 7.500% | |

Salary Increases:

| Year End | Measurement Date | Rate | Change |
|---|------------------|------|--------|
| <i>No changes to the salary increases for the years presented</i> | | | |

Inflation Rate:

| Year End | Measurement Date | Rate | Change |
|-----------|------------------|--------|---------|
| 6/30/2018 | 6/30/2017 | 2.700% | -0.175% |
| 6/30/2017 | 6/30/2016 | 2.875% | -0.125% |
| 6/30/2016 | 6/30/2015 | 3.000% | |

TOWN OF GRAMERCY, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

| | Original Budget | Final Budget | Actual | Variance Fav (Unfav) |
|--|---------------------|---------------------|---------------------|-------------------------|
| <u>REVENUES</u> | | | | |
| Ad valorem taxes | \$ 110,000 | \$ 115,000 | \$ 115,212 | \$ 212 |
| Sales taxes | 625,000 | 625,000 | 675,388 | 50,388 |
| Garbage fees | 252,000 | 230,000 | 236,203 | 6,203 |
| Dumpster fees | 5,000 | 5,000 | 3,230 | (1,770) |
| Mosquito control | 50,000 | 50,000 | 49,465 | (535) |
| Licenses and permits | 180,000 | 180,000 | 227,302 | 47,302 |
| Intergovernmental revenues: | | | | - |
| Federal grants | 75,000 | 50,000 | 12,538 | (37,462) |
| State funds: | | | | - |
| State grant | 35,000 | 35,000 | - | (35,000) |
| Beer | 5,000 | 5,000 | 4,157 | (843) |
| Video poker | 325,000 | 325,000 | 360,825 | 35,825 |
| Fines and forfeitures | 40,000 | 40,000 | 45,484 | 5,484 |
| Other | 201,200 | 223,200 | 295,660 | 72,460 |
| Total revenues | <u>1,903,200</u> | <u>1,883,200</u> | <u>2,025,464</u> | <u>142,264</u> |
| <u>EXPENDITURES</u> | | | | |
| Current operating expenditures: | | | | |
| General government | 593,050 | 653,600 | 562,427 | 91,173 |
| Streets | 737,500 | 582,731 | 488,833 | 93,898 |
| Public safety | 644,400 | 648,900 | 574,482 | 74,418 |
| Sanitation | 231,000 | 240,000 | 239,973 | 27 |
| Fire department | 1,000 | 1,000 | 1,046 | (46) |
| Capital Outlay | - | - | 165,458 | (165,458) |
| Total expenditures | <u>2,206,950</u> | <u>2,126,231</u> | <u>2,032,219</u> | <u>94,012</u> |
| <u>DEFICIENCY OF REVENUES</u> | | | | |
| <u>OVER EXPENDITURES</u> | (303,750) | (243,031) | (6,755) | 236,276 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers in | - | - | 308,915 | 308,915 |
| Transfers out | - | (330,000) | (342,896) | (12,896) |
| Total other financing sources (uses) | <u>-</u> | <u>(330,000)</u> | <u>(33,981)</u> | <u>296,019</u> |
| Change in fund balance | (303,750) | (573,031) | (40,736) | 532,295 |
| <u>FUND BALANCES</u> | | | | |
| Beginning of year | <u>4,303,668</u> | <u>4,303,668</u> | <u>4,303,668</u> | <u>-</u> |
| End of year | <u>\$ 3,999,918</u> | <u>\$ 3,730,637</u> | <u>\$ 4,262,932</u> | <u>\$ 532,295</u> |

OTHER SUPPLEMENTARY
INFORMATION

TOWN OF GRAMERCY, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF OTHER REVENUE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> |
|--------------------------------|----------------------------|-------------------------|-------------------|
| <u>OTHER REVENUE</u> | | | |
| Utility franchise fees | \$ 88,000 | \$ 97,000 | \$ 102,270 |
| Interest revenues | 10,000 | 28,000 | 34,723 |
| Collection fees | 800 | 800 | 643 |
| Motor vehicle transaction fees | 50,000 | 50,000 | 68,219 |
| Rents and royalties | 2,400 | 2,400 | 2,400 |
| Miscellaneous | 50,000 | 45,000 | 87,405 |
| Total other revenue | <u>\$ 201,200</u> | <u>\$ 223,200</u> | <u>\$ 295,660</u> |

TOWN OF GRAMERCY, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF EXPENDITURES
GENERAL FUND
YEAR ENDED JUNE 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> |
|----------------------------------|----------------------------|-------------------------|----------------|
| <u>GENERAL GOVERNMENT</u> | | | |
| Legal and litigation fees | \$ 1,500 | \$ 5,500 | \$ 8,016 |
| Salaries | 182,200 | 182,200 | 174,125 |
| Professional fees | 25,000 | 25,000 | 21,500 |
| Electricity | 15,000 | 15,000 | 16,096 |
| Insurance | 125,000 | 125,000 | 129,424 |
| Supplies and maintenance | 16,000 | 16,000 | 21,411 |
| Miscellaneous | 61,750 | 115,300 | 10,133 |
| Retirement | 30,000 | 30,000 | 29,395 |
| SCPCD-building permits | 16,500 | 16,500 | 16,412 |
| Office expenses | 55,000 | 58,000 | 70,777 |
| Payroll taxes | 6,000 | 6,000 | 7,316 |
| Vehicle expenses | 30,000 | 30,000 | 30,000 |
| Capital outlay | - | - | 1,116 |
| Dues and subscriptions | 16,000 | 16,000 | 16,452 |
| Meetings and conventions | 9,000 | 9,000 | 7,329 |
| Planning commission | 3,600 | 3,600 | 2,925 |
| Bad debts | 500 | 500 | - |
| Total general government | <u>593,050</u> | <u>653,600</u> | <u>562,427</u> |
| <u>STREETS</u> | | | |
| Salaries | 230,000 | 210,000 | 207,931 |
| Miscellaneous | 4,000 | 6,000 | 2,622 |
| Retirement | 45,500 | 45,500 | 42,038 |
| Vehicle expenses | 9,000 | 9,000 | 7,093 |
| Uniforms | 5,000 | 6,000 | 5,702 |
| Insurance | 32,000 | 32,000 | 35,996 |
| Supplies and maintenance | 139,000 | 166,231 | 94,099 |
| Electricity | 65,000 | 65,000 | 65,974 |
| Capital outlay | 205,000 | 40,000 | 24,428 |
| Payroll taxes | 3,000 | 3,000 | 2,950 |
| Total streets | <u>737,500</u> | <u>582,731</u> | <u>488,833</u> |

TOWN OF GRAMERCY, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF EXPENDITURES
GENERAL FUND
YEAR ENDED JUNE 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> |
|-------------------------------|----------------------------|-------------------------|---------------------|
| <u>PUBLIC SAFETY</u> | | | |
| Police: | | | |
| Insurance | \$ 75,000 | \$ 75,000 | \$ 68,840 |
| Uniforms | 2,400 | 2,400 | 1,299 |
| Retirement | 78,000 | 78,000 | 71,485 |
| Vehicle expenses | 16,000 | 16,000 | 17,969 |
| Salaries | 376,000 | 376,000 | 345,988 |
| Supplies and maintenance | 45,000 | 45,000 | 42,870 |
| Training expenses | 500 | 500 | - |
| Utilities | 6,000 | 6,000 | 5,752 |
| Payroll taxes | 15,000 | 15,000 | 13,432 |
| Capital outlay | 25,000 | 27,000 | 2,144 |
| Miscellaneous | 5,500 | 8,000 | 4,703 |
| Total public safety | <u>644,400</u> | <u>648,900</u> | <u>574,482</u> |
| <u>SANITATION</u> | | | |
| Solid waste disposal | 205,000 | 212,000 | 213,692 |
| Dumpster expense | 6,000 | 8,000 | 9,854 |
| Mosquito control | 20,000 | 20,000 | 16,427 |
| Total sanitation | <u>231,000</u> | <u>240,000</u> | <u>239,973</u> |
| <u>FIRE DEPARTMENT</u> | | | |
| Operating expenditures | 1,000 | 1,000 | 1,046 |
| Total fire department | <u>1,000</u> | <u>1,000</u> | <u>1,046</u> |
| <u>CAPITAL OUTLAY</u> | | | |
| Capital expenditures | - | - | 165,458 |
| Total capital outlay | <u>-</u> | <u>-</u> | <u>165,458</u> |
| Total all departments | <u>\$ 2,206,950</u> | <u>\$ 2,126,231</u> | <u>\$ 2,032,219</u> |

TOWN OF GRAMERCY, LOUISIANA
SCHEDULE OF PRINCIPAL OFFICIALS AND SALARIES
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|---------------------------------|-------------------|
| Steve Nosacka, Mayor | \$ 44,000 |
| Betty Cooper Coleman | 9,600 |
| Rhonda Lee | 9,600 |
| Clyde Wiggins | 9,600 |
| Jody Bourgeois | 9,600 |
| Craig Calcagno | 9,600 |
| Brent Dicharry, Chief of Police | <u>27,600</u> |
| | <u>\$ 119,600</u> |

TOWN OF GRAMERCY, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2018

Agency Head Name/Title: Mayor Steve Nosacka

| <u>Purpose</u> | <u>Amount</u> |
|--|----------------------|
| Salary | \$ 44,000 |
| Benefits - insurance | 10,828 |
| Benefits - retirement | 10,890 |
| Benefits - life | 70 |
| Car allowance | - |
| Vehicle provided by government | - |
| Per diem | - |
| Reimbursements | - |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Continuing professional education fees | - |
| Housing | - |
| Unvouchered expenses | - |
| Special meals | - |
| | <u>\$ 65,788</u> |

OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Gramercy, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Gramercy, Louisiana, (the Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 27, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations to be a material weakness. [2018-001]

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. We consider the deficiency described in the accompanying schedule of findings and recommendations to be a significant deficiency. [2018-002]



Postlethwaite & Netterville
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items [2018-003, and 2018-004].

Town of Gramercy, Louisiana's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The Town'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.

Postlethwaite & Netterville

Donaldsonville, Louisiana
December 27, 2018

TOWN OF GRAMERCY, LOUISIANA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

| | |
|---|--|
| Type of auditors' report issued: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| • Material weakness identified | <u> X </u> Yes <u> </u> No |
| • Significant deficiency identified not considered to be a material weakness? | <u> X </u> Yes <u> </u> None reported |
| Noncompliance material to financial statements noted? | <u> X </u> Yes <u> </u> No |

SECTION II - FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL

2018-001 Internal Control over Financial Reporting

Criteria: The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Town, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: General ledger accounts were not timely reconciled to the subsidiary records. Additionally, journal entries are not being reviewed by someone independent of the preparer.

Cause: The Town's cash, accounts receivable, and accounts payable accounts required adjustment in order for them to properly reflect end of year balances. The adjustments to cash were a result of a deposit and transfers of funds between accounts that were not posted to the proper accounting period. Additionally, the general ledger is not reconciled periodically to the underlying accounting records, and journal entries are not periodically reviewed.

Effect: The current procedures are inadequate to provide effective internal control over financial reporting. Errors or misstatements would prevent accurate financial reporting.

Recommendation: The Town should take a more in-depth role in understanding the year-end adjustments necessary in preparing the financial statements and related notes. Additionally, the general ledger should be reconciled periodically to the underlying accounting records (i.e. accounts payable listing, customer deposit listing, accounts receivable aging, etc.). Proper internal controls should be designed, implemented, and documented in order to establish procedures that will properly prevent or detect material misstatements.

View of Responsible Official: Management of the Town will implement procedures to ensure accurate financial reporting.

TOWN OF GRAMERCY, LOUISIANA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS (continued)

INTERNAL CONTROL (continued)

2018-002 Segregation of Duties

Criteria: Internal controls should be designed to ensure proper segregation of duties. Proper segregation of duties includes separation of the employees responsible for the following functions: authorization, recording, reconciling, and custody.

Condition: Incompatible duties are not segregated over the duties of payroll, vendor maintenance, and cash collections process.

Cause: The Town accountant is responsible for all functions surrounding the payroll process. Additionally, there was no evidence of supervisory approval for the pay rate of an employee selected for testing. In regards to vendors, the accountant can modify vendors, and there is currently no review of vendor modifications.

Effect: The lack of proper segregation of duties presents the opportunity for misstatements to occur and not be detected by the internal controls of the Town.

Recommendation: The Town should establish procedures for approving and documenting pay rates. Additionally, someone other than the Town's accountant should periodically review the vendor maintenance report to ensure that changes that have been made to vendors have been authorized and are appropriate.

View of Responsible Official: Management of the Town will design controls for payroll and vendor maintenance to ensure proper segregation of duties.

TOWN OF GRAMERCY, LOUISIANA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS (continued)

COMPLIANCE WITH LAWS AND REGULATIONS

2018-003 Local Government Budget Act

Criteria: Louisiana Revised Statute 39:1305 requires that the budget set forth for adoption must include a budget message that is signed by the budget preparer and contains a summary description of the proposed financial plan, policies and objectives, assumptions, budgetary basis, and a discussion of the most important factors.

Condition: The Town failed to prepare a budget message to accompany its budget.

Cause: The Town does not have adequate policies and procedures related to budget preparation.

Effect: The Town is in violation of Louisiana Revised Statute 39:1305.

Recommendation: The Town should comply with the requirements set forth in Louisiana Revised Statute 39:1305.

View of Responsible Official: A budget message will be prepared in the future.

2018-004 Deposit Security

Criteria: Louisiana Revised Statute 39:1225 requires the amount of the security to, at all times, be equal to one-hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any government agency insuring bank deposits.

Condition: The Town's bank deposits are in excess of the amounts securing those deposits.

Cause: The Town failed to secure sufficient collateral against its deposits.

Effect: The Town is in violation of Louisiana Revised Statute 39:1225. Additionally, a portion of the Town's deposit balance is at risk of loss.

Recommendation: The Town should comply with the requirements set forth in Louisiana Revised Statute 39:1225.

View of Responsible Official: Management will ensure that collected funds on deposit will be properly secured.

TOWN OF GRAMERCY, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

FINDINGS – FINANACIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

None reported

MATERIAL WEAKNESS

2017-001 Design and Implementation of Internal Controls

Condition: During the assessment of internal controls over financial reporting, we identified deficiencies in the design and implementation of internal controls over:

- Review and documentation of approval for journal entries
- Record retention

Current Status: A similar finding was noted in the current year and listed as finding 2018-001.

COMPLIANCE WITH LAWS AND REGULATIONS

2017-002 Public Records Law

Condition: While management has a document retention policy, they were not consistently followed during the year.

Current Status: Resolved.

PERFORMANCE AND STATISTICAL DATA

TOWN OF GRAMERCY, LOUISIANA
INSURANCE-IN-FORCE
JUNE 30, 2018
(Without Audit)

| <u>Type of Coverage</u> | <u>Name of Insurer</u> | <u>Expiration Date</u> | <u>Coverage Limits</u> |
|---------------------------------|---|------------------------|------------------------|
| Automobile liability | Risk Management, Inc. | May 1, 2019 | \$500,000 |
| General liability | Risk Management, Inc. | May 1, 2019 | \$500,000 |
| Law enforcement liability | Risk Management, Inc. | May 1, 2019 | \$500,000 |
| Errors and omissions liability | Risk Management, Inc. | May 1, 2019 | \$500,000 |
| Workers' compensation | Louisiana Workers' Compensation Company | May 1, 2019 | Statutory |
| Position fidelity schedule bond | CNA Surety Western Surety Company | October 1, 2018 | \$ 50,000 |
| Employment practices liability | Risk Management, Inc. | May 1, 2019 | \$500,000 |
| Commercial property | Republic Property | May 1, 2019 | Various limits |

TOWN OF GRAMERCY, LOUISIANA
PUBLIC UTILITY SYSTEM OPERATIONS
JUNE 30, 2018
(Without Audit)

Page 1 of 2

Statistics on System Operations

- (a) As of June 30, 2018 the number of metered customers was 1,382 for the water system and 1,316 for the sewer system. There were no unmetered customers for either the water or sewer systems at June 30, 2018.
- (b) The following rate schedules were in effect during the fiscal year ended June 30, 2018 for water and sewer services:

1. Water:

Residential

| | |
|-----------------------------|--------------------------|
| First 2,000 gallons or less | \$ 14.61 / 1,000 gallons |
| 2,001 to 10,000 gallons | 3.09 |
| 10,001 or more | 2.81 |

Unincorporated Residential

| | |
|-----------------------------|--------------------------|
| First 2,000 gallons or less | \$ 17.98 / 1,000 gallons |
| 2,001 to 10,000 gallons | 3.09 |
| 10,001 or more | 2.81 |

Small Business

| | |
|-----------------------------|--------------------------|
| First 2,000 gallons or less | \$ 22.48 / 1,000 gallons |
| 2,001 to 10,000 gallons | 3.09 |
| 10,001 or more | 3.09 |

Large commercial and Industrial customers

| | |
|-----------|-----------------------|
| Flat rate | \$ 3.93/1,000 gallons |
|-----------|-----------------------|

Unincorporated Industrial

| | |
|-----------------------------|--------------------|
| Monthly availability charge | \$ 100.00 |
| Usage rate | 3.93/1,000 gallons |

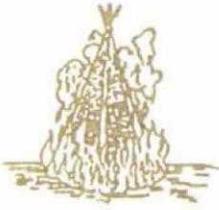
TOWN OF GRAMERCY, LOUISIANA
PUBLIC UTILITY SYSTEM OPERATIONS
JUNE 30, 2018
(Without Audit)

Statistics on System Operations (continued)

| 2. Sewer | Rate per gallons of sewerage flow |
|-----------------------|---|
| Residential customers | \$16.86/month + \$0.84 / 1,000 gallons |
| Commercial customers | \$44.95/month + \$0.84 / 1,000 gallons |
| Industrial customers | \$44.95/month + \$0.84 / 1,000 gallons \$0.84 per pound of BOD in excess of allowable limits |

(c) Average monthly billing per residential customer during the year ended June 30, 2018:

| | |
|----------|-----------------|
| 1. Water | \$ <u>31.24</u> |
| 2. Sewer | \$ <u>23.54</u> |



Town of Gramercy

"THE BEST LITTLE TOWN FOR MILES AROUND."

120 North Montz Street

P. O. Drawer 340

Gramercy, Louisiana 70052

Phone 225-869-4403 • FAX 225-869-4195



Aldermen

Betty Cooper-Coleman
District 1

Jody Bourgeois
District 2

Rhonda Lee
District 3

Craig Calcagno
At Large

Claude "Clyde" Wiggins
At Large

Robert Fauchoux, Jr.
Town Attorney

Steven T. Nosacka
Mayor

Brent Dicharry
Police Chief

CORRECTIVE ACTION PLAN

December 27, 2018

Louisiana Legislative Auditor

The Town of Gramercy respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

Postlethwaite & Netterville, APAC
P. O. Box 1190
Donaldsonville, LA 70346

Audit Period: July 1, 2017 – June 30, 2018

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

FINDINGS – SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2018-001 Internal Control over Financial Reporting

Recommendation: The Town should take a more in-depth role in understanding the year-end adjustments necessary in preparing the financial statements and related notes. Additionally, the general ledger should be reconciled periodically to the underlying accounting records.

Management's Response: Management of the Town will implement procedures to ensure accurate financial reporting.

2018-002 Segregation of Duties

Recommendation: The Town should establish procedures for approving and documenting pay rates. Additionally, someone other than the Town's accountant should periodically review the vendor maintenance report to ensure that changes that have been made to vendors have been authorized and are appropriate.

Management's Response: Management of the Town will design controls for payroll and vendor maintenance to ensure proper segregation of duties.

2018-003 Local Government Budget Act

Recommendation: The Town should comply with the requirement set forth in Louisiana Revised Statute 39:1305.

Management's Response: A budget message will be prepared in the future.

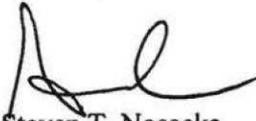
2018-004 Deposit Security

Recommendation: The Town should comply with the requirements set forth in Louisiana Revised Statute 39:1225.

Management's Response: Management will ensure that collected funds on deposit will be properly secured.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Steven T. Nosacka at (225) 869-4403.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Nosacka', with a stylized flourish at the end.

Steven T. Nosacka
Mayor

TOWN OF GRAMERCY

STATEWIDE AGREED-UPON PROCEDURES

FOR THE TWELVE MONTH PERIOD ENDING JUNE 30, 2018

Independent Accountant's Report
On Applying Agreed-Upon Procedures
For the Year Ended 2018

To the Honorable Mayor and Members of
the Board of Aldermen
Town of Gramercy, Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Gramercy (Entity) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 01, 2017 through June 30, 2018. The Town of Gramercy's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified use of the report. For those procedures, "*procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating controls as asserted by the Entity*" is indicated.

Written Policies and Procedures

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

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

The Entity does not have a written policy for Budgeting.

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.

The Entity does not have a written policy for Purchasing.

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

The Entity does not have a written policy for Disbursements.

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

The Entity does not have a written policy for Receipts.

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

The Entity does not have a written policy for Payroll/Personnel.

- 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.

The Entity does not have a written policy for Contracting.

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

The Entity does not have a written policy for Credit Cards and Fuel Cards.

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

The Entity does not have a written policy for Travel and Expense Reimbursements.

- 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.

The Entity does not have a written policy for Ethics.

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

The Entity does not have a written policy for Debt Service.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exception noted.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

There was no mention of budget-to-actual comparisons in the February 2018 meeting minutes.

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

No exception noted.

Bank Reconciliations

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

A listing of bank accounts was provided and included a total of thirteen bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected five bank accounts (one main operating and four randomly) and obtained the bank reconciliations for the month ending June 30, 2018, resulting in five bank reconciliations obtained and subjected to the below procedures.

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

No exception noted.

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

No exception noted.

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

Of the five bank reconciliations tested, three contained reconciling items that were greater than twelve months. There was no documentation reflecting that these had been researched.

Collections

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

A listing of deposit sites was provided and included one deposit site. No exceptions were noted as a result of performing this procedure.

From the listing provided, we performed the procedures below.

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

There is only one collection location and one deposit site. No exception noted.

Inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

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

Employees responsible for cash collections share cash drawers.

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

Three employees are responsible for collecting cash. Two of the three employees holds the responsibility for preparing/making the deposit. An employee other than the deposit preparer does not reconcile the collection log to the deposit slip.

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

One of the three employees responsible for collecting cash posts collection entries to the general ledger and reconciles ledger postings to each other and the deposit.

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

The employee responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is responsible for collecting cash and the reconciliation is not verified by another employee.

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

One of the three employees who have access to cash is not covered by a bond or insurance policy.

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

We randomly selected two deposit dates for each of the five bank accounts selected in procedure #3. One of the accounts did not have any deposits in the period tested. Another account only had one deposit for the period tested. We obtained supporting documentation for each of the seven deposits and performed the procedures below.

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

No exception noted.

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

No exception noted.

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

No exception noted.

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

Three of the seven deposits that were tested were not made within one day of collection. Additionally, two of the deposits that were tested lacked an indication of when funds were received. Therefore, P&N was unable to determine if the deposit was made timely.

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

No exception noted.

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

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

No exception noted.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.

Inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

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

No exception noted.

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

No exception noted.

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

The employee responsible for processing payments is able to add/modify vendor files. There is not another person responsible for reviewing changes to vendor files.

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

The employee responsible for processing payments is also the person mailing the checks.

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

No exception noted.

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

No exception noted.

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

No exception noted.

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

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

A listing of the cards was provided. No exceptions were noted as a result of performing this procedure.

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

From the listing provided, we randomly selected five cards used in the fiscal period. We randomly selected one monthly statement for each of the five cards selected and performed the procedures noted below.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

No exception noted.

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

No exception noted.

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

All of the cards selected were fuel cards. Fuel cards are excluded from this step.

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

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

The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.

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

The randomly selected 5 reimbursements were not reimbursed using a per diem.

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

No exception noted.

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

No exception noted.

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

No exception noted.

Contracts

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

The Entity initiated one new contract during the fiscal period and none were renewed. No exceptions were noted as a result of performing this procedure.

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

The one contract initiated was not subject to the Louisiana Public Bid Law.

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

No exception noted.

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

No exception noted.

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

No exception noted.

Payroll and Personnel

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

A listing of employees/elected officials employed during the year was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. The hours paid for one employee did not agree with the hours approved by the supervisor. Additionally, there was no supporting documentation for the approved pay rate of one employee.

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

We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.

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

No exception noted.

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

No exception noted.

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

No exception noted.

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

No exception noted.

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

No exception noted.

Ethics

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

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

For one of the five employees/officials selected for our procedures, there was no documentation in the personnel file that the required ethics training had been completed.

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

The Entity does not have an ethics policy.

Debt Service

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating controls as asserted by the Entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating controls as asserted by the Entity.

Other

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating controls as asserted by the Entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating controls as asserted by the Entity.

Corrective Action

25. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

See the attached Corrective Action Plan.

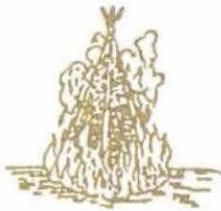
We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, 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.

Sincerely,

Postlethwaite & Netterville

December 27, 2018



Town of Gramercy

"THE BEST LITTLE TOWN FOR MILES AROUND."

120 North Montz Street

P. O. Drawer 340

Gramercy, Louisiana 70052

Phone 225-869-4403 • FAX 225-869-4195



Aldermen

Betty Cooper-Coleman
District 1

Jody Bourgeois
District 2

Rhonda Lee
District 3

Craig Calcagno
At Large

Claude "Clyde" Wiggins
At Large

Robert Faucheux, Jr.
Town Attorney

Steven T. Nosacka
Mayor

Brent Dicharry
Police Chief

Management's Response to Agreed-Upon Procedures Report

December 27, 2018

Louisiana Legislative Auditor

The Town of Gramercy respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

Postlethwaite & Netterville, APAC
P. O. Box 1190
Donaldsonville, LA 70346

Audit Period: July 1, 2017 – June 30, 2018

The procedures and associated findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings.

STATEWIDE AGREED-UPON PROCEDURES

Written Policies and Procedures

1a – j The Town of Gramercy will review the processes and procedures that are currently in place and formalize them into standard policy to include all necessary provisions as provided by the Agreed-Upon Procedures (AUP) to be approved by the board.

2 b Town of Gramercy will add budget to actual comparisons to the finance meeting agendas.

4 c The Town of Gramercy will institute a formal policy for the review and documentation of any outstanding item over three months as part of the bank reconciliation process. Any outstanding item over 3 months will be researched and documented or resolved.

5a The Town of Gramercy has added a second cash drawer in order to separate employee collections and reconciliations.

5b Two of the employees are responsible for collecting cash and making deposits. The other employee may collect cash in an employee's absence or in busy times but does not reconcile the cash drawers because she is responsible for reconciling deposits and posting to the general ledger.

5c One of the employees responsible for collecting cash in busy times or in place of employee out does not reconcile the cash drawer. It is reconciled by another employee.

5d Two of the employees are responsible for collecting cash and making deposits. The other employee may collect cash in an employee's absence or in busy times but does not reconcile the cash drawers because she is responsible for reconciling deposits and posting to the general ledger.

6 The Town of Gramercy will add the employee to our bond policy.

9 c The Town of Gramercy will require the review of a vendor additions report to be reviewed by the Mayor at month end.

9d The Town of Gramercy will ensure the authorized signer(s) maintain control of checks until mailed.

16 The Town of Gramercy will have any time discrepancies verified and documented by the supervisor. The Town will put employee offer letters in employee files.

20a Town of Gramercy will review procedures regarding ethics training and implement a formal policy to ensure all employees complete annual ethics training.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Steven T. Nosacka at (225) 869-4403.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Nosacka', with a long horizontal flourish extending to the right.

Steven T. Nosacka
Mayor

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Gramercy, Louisiana.

We have audited the financial statements of the Town of Gramercy for the year ended June 30, 2018, and have issued our report thereon dated December 27, 2018. As part of our audit, we made a study and evaluation of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.

However, during the course of our audit, we became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. Our comments and suggestions regarding those matters are set forth below. This letter does not affect our reports dated December 27, 2018, on the financial statements of the Town of Gramercy or the Town's internal control over financial reporting.

ML-2018-001 Timesheet Review

Findings: Controls relating to the payroll process should be strengthened.

Recommendations: The Town's departmental supervisors should review timesheets in detail. Additionally, the payroll processor should recalculate the gross hours worked per the time sheet before processing the payment.



ML-2018-002

IT Best Practices

Findings:

While the accounting data is backed up on a daily basis, these backups have not been tested to ensure that they are complete and recoverable.

Recommendations:

Testing of backups of data for completeness and recoverability should be performed monthly.

This information is intended solely for the use of the Mayor, Board of Aldermen, and management of the Town of Gramercy and should not be used for any other purpose.

Postlethwaite & Netterville

Donaldsonville, Louisiana
December 27, 2018



Town of Gramercy

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- Aldermen**
- Betty Cooper-Coleman**
District 1
 - Jody Bourgeois**
District 2
 - Rhonda Lee**
District 3
 - Craig Calcagno**
At Large
 - Claude "Clyde" Wiggins**
At Large
 - Robert Fauchaux, Jr.**
Town Attorney

Steven T. Nosacka
Mayor

Brent Dicharry
Police Chief

CORRECTIVE ACTION PLAN

December 27, 2018

Louisiana Legislative Auditor

The Town of Gramercy respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

Postlethwaite & Netterville, APAC
P. O. Box 1190
Donaldsonville, LA 70346

Audit Period: July 1, 2017 – June 30, 2018

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

FINDINGS – SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ML2018-001 Timesheet Review

Recommendation: The Town's departmental supervisors should review in detail, and approve time sheets for accuracy. Additionally, the payroll processor should recalculate the gross hours worked per the timesheet before processing the payment.

Management's Response: A new payroll system where employee's punch in and the supervisor approves the time before processing is currently being implemented.

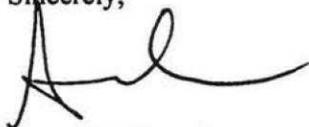
ML2018-002 IT Best Practices

Recommendation: Testing of backups of data for completeness and recoverability should be performed monthly.

Management's Response: Management of the Town has implemented new software for Accounting and Payroll which are cloud based and are guaranteed to be complete and recoverable and are in the process of selecting a virtual server.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Steven T. Nosacka at (225) 869-4403.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Nosacka', with a long horizontal flourish extending to the right.

Steven T. Nosacka
Mayor