

**Town of Vivian
Vivian, Louisiana**

Financial Statement with Auditors' Report

As of and For the Year Ended June 30, 2018

Town of Vivian
Vivian, Louisiana
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Independent Auditors' Report

Honorable Mayor and Board of Aldermen
Town of Vivian, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vivian, Louisiana, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town

of Vivian, Louisiana, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

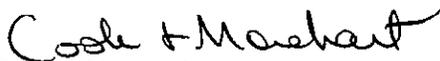
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 10, the budgetary comparison information on pages 47 - 49, the Schedule of Proportionate Share of Net Pension Liability on page 50, and the Schedule of Contributions 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Vivian's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on pages 52 - 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2019, on our consideration of the Town of Vivian, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Vivian's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Vivian's internal control over financial reporting and compliance.


Cook & Morehart
Certified Public Accountants
February 22, 2019

TOWN OF VIVIAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Vivian's financial performance provides an overview of the Town of Vivian's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Town of Vivian's net position of our governmental activities decreased by \$309,061 or 4%. The Town of Vivian's net position of our business-type activities decreased by \$55,512 or 1%.
- In the Town's governmental activities, total general and program revenues were \$1,970,273 in 2018 compared to \$3,233,453 in 2017. Total expenses, excluding depreciation, totaled \$1,671,461 for the year ended June 30, 2018 compared to \$1,744,194 for 2017.
- In the Town's business-type activities, revenues decreased by \$314,307, while expenses decreased by \$89,627.
- In the Town's governmental activities, revenues decreased by \$1,263,180, while expenses decreased by \$1,008.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Town of Vivian as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town of Vivian's operations in more detail than the government-wide statements by providing information about the Town of Vivian's most significant funds.

Reporting the Town of Vivian, Louisiana as a Whole

Our analysis of the Town of Vivian as a whole begins on page 11. One of the most important questions asked about the Town of Vivian's finances is "Is the Town of Vivian as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the funds maintained by the Town of Vivian as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town of Vivian's *net position* and changes in it. You can think of the Town of Vivian's net position – the difference between assets and liabilities – as one way to measure the Town of Vivian's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town of Vivian's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base, to assess the overall health of the Town.

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

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

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

Reporting the Town's Most Significant Funds

Our analysis of the major funds maintained by the Town of Vivian begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds maintained by the Town of Vivian – not the Town of Vivian as a whole. The Town of Vivian's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the Town of Vivian's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town of Vivian's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Town of Vivian's expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

TOWN OF VIVIAN AS A WHOLE

The Town of Vivian's combined net position changed from a year ago, decreasing from \$12,596,312, as restated, to \$12,247,439. A comparative analysis of the funds maintained by the Town of Vivian is presented below.

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 1,404,119	\$ 1,333,768	\$ 640,601	\$ 666,326	\$ 2,044,720	\$ 2,000,094
Capital Assets	8,375,848	8,909,764	6,652,123	6,958,279	15,027,971	15,868,043
Total Assets	<u>9,779,967</u>	<u>10,243,532</u>	<u>7,292,724</u>	<u>7,624,605</u>	<u>17,072,691</u>	<u>17,868,137</u>
Deferred Outflows of Resources	84,869	81,497	133,198	176,288	218,067	257,785
Current Liabilities	66,795	35,740	130,192	264,808	196,987	300,548
Long-term Liabilities	1,422,818	1,602,048	3,383,882	3,565,344	4,806,700	5,167,392
Total Liabilities	<u>1,489,613</u>	<u>1,637,788</u>	<u>3,514,074</u>	<u>3,830,152</u>	<u>5,003,687</u>	<u>5,467,940</u>
Deferred Inflows of Resources	30,659	49,316	8,973	12,354	39,632	61,670
Net Position:						
Net Investment in Capital Assets	7,314,114	7,677,948	3,553,192	3,700,955	10,867,306	11,378,903
Restricted	717,793	448,543	219,400	292,425	937,193	740,968
Unrestricted	312,657	511,434	130,283	(34,993)	442,940	476,441
Total Net Position	<u>\$ 8,344,564</u>	<u>\$ 8,637,925</u>	<u>\$ 3,902,875</u>	<u>\$ 3,958,387</u>	<u>\$ 12,247,439</u>	<u>\$ 12,596,312</u>

Net position of the Town of Vivian's governmental activities decreased by \$309,061 or 3.6%. Net position of the Town of Vivian's business-type activities decreased by \$55,512 or 1%.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 128,549	\$ 120,514	\$ 1,409,396	\$ 1,354,495	\$ 1,537,945	\$ 1,475,009
Capital grants and contributions	7,534	1,169,196	28,732	423,972	36,266	1,593,168
Operating grants and contributions	62,864	53,525	8,199	9,149	71,063	62,674
General revenues:						
Taxes	1,410,857	1,492,058	53,717	57,199	1,464,574	1,549,257
Licenses and permits	118,430	130,572			118,430	130,572
Franchise taxes	112,154	107,426			112,154	107,426
Oil and gas income	4,077	4,077			4,077	4,077
Investment earnings	1,783	3,358	2,528	2,620	4,311	5,978
Other	124,025	152,727	39,829	9,273	163,854	162,000
Total Revenues	<u>1,970,273</u>	<u>3,233,453</u>	<u>1,542,401</u>	<u>1,856,708</u>	<u>3,512,674</u>	<u>5,090,161</u>
Expenses:						
General government	477,468	415,423			477,468	415,423
Economic development	209,958	187,225			209,958	187,225
Public safety	833,342	826,043			833,342	826,043
Public works	548,289	559,423			548,289	559,423
Town Services	57,373	104,572			57,373	104,572
Recreation	107,088	136,966			107,088	136,966
Interest on long-term debt	45,816	50,690			45,816	50,690
Water and Sewer Utility			1,597,913	1,687,540	1,597,913	1,687,540
Total expenses	<u>2,279,334</u>	<u>2,280,342</u>	<u>1,597,913</u>	<u>1,687,540</u>	<u>3,877,247</u>	<u>3,967,882</u>
Increases (decreases) in net position	<u>\$ (309,061)</u>	<u>\$ 953,111</u>	<u>\$ (55,512)</u>	<u>\$ 169,168</u>	<u>\$ (364,573)</u>	<u>\$ 1,122,279</u>

The Town of Vivian's total revenues decreased by \$1,577,487 or 31%, due mainly to a decrease in capital grants. The total cost of all programs and services decreased by \$90,635 or 2%. Our analysis below separately considers the operations of the governmental and business-type activities.

Governmental Activities

Total revenues for the governmental activities decreased \$1,263,180 from total revenues in the year ended June 30, 2017 of \$3,233,453 to total revenues of \$1,970,273 in the year ended June 30, 2018. This decrease was due to the reduction in capital grants for airport project.

The cost of all governmental activities this year was \$2,279,334. These costs were covered by \$198,947 of program revenues, with the remaining costs covered by grants, property taxes, sales taxes, and other general revenues.

Business-type Activities

Total revenues for the business-type activities decreased \$314,307 from total revenues in year ended June 30, 2017 of \$1,856,708 to total revenues of \$1,542,401 in the year ended June 30, 2018. This decrease was due mainly to a decrease in capital grants.

The cost of all business-type activities this year was \$1,597,913. These costs were covered by program revenues of \$1,446,327, consisting of charges for services assessed to users and capital grants.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a *combined* fund balance of \$1,292,748, which is more than last year's fund balance of \$1,245,165, as restated.

General Fund Budgetary Highlights

The Town adopted a budget for its General Fund for the year ended June 30, 2018. There was one amendment to the budget during the year. The Town's budgetary comparison is presented as required supplementary information beginning on page 47. Highlights for the year are as follows:

- The Town's actual expenditures were over the expected amount by \$12,007.
- The Town's actual revenues were over the expected amount by \$118,201.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018 and 2017, the Town of Vivian had invested \$15,027,971 and \$15,868,043, respectively in capital assets. (see table 3 below)

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

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,750,487	\$ 1,750,487	\$ 64,086	\$ 64,086	\$ 1,814,573	\$ 1,814,573
CIP		700,546	56,021	56,021	56,021	756,567
Buildings	1,117,727	1,181,716			1,117,727	1,181,716
Improvements	2,695,359	2,587,050			2,695,359	2,587,050
Infrastructure	2,481,473	2,218,846	6,532,016	6,838,172	9,013,489	9,057,018
Vehicles and equipment	330,802	471,119			330,802	471,119
Total assets (net)	<u>\$ 8,375,848</u>	<u>\$ 8,909,764</u>	<u>\$ 6,652,123</u>	<u>\$ 6,958,279</u>	<u>\$ 15,027,971</u>	<u>\$ 15,868,043</u>

This year's major additions include:

Vehicles and equipment	\$ 38,449	\$
Infrastructure		41,388
Improvements	35,508	
Total	<u>\$ 73,957</u>	<u>\$ 41,388</u>

More detailed information about the capital assets are presented in Note 6 to the Financial Statements.

DEBT

At year-end, the Town had \$4,798,394 in bonds, notes, and other debt outstanding, versus \$5,122,370 last year - a decrease of 7%.

**Table 4
Outstanding Debt At Year End**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Water & Sewer Revenue Bonds	\$	\$	\$ 2,930,869	\$ 2,985,451	\$ 2,930,869	\$ 2,985,451
Certificate of Indebtedness	1,061,733	1,231,816			1,061,733	1,231,816
Economic Development Award Program	128,889	136,423			128,889	136,423
Cooperative endeavor agreement						
Capital Leases			168,062	271,873	168,062	271,873
Net Pension Liability	223,890	188,787	284,951	308,020	508,841	496,807
Totals	\$ 1,414,512	\$ 1,557,026	\$ 3,383,882	\$ 3,565,344	\$ 4,798,394	\$ 5,122,370

State law restricts the amount of debt that the Town of Vivian may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes of all real and personal property located within the parish. The Town of Vivian's total debt outstanding at year-end was well below this limitation.

More detailed information about the debt are presented in Note 13 to the Financial Statements.

In accordance with GASB Statement No. 68, the Town is reporting a net pension liability of \$508,841 on the statement of net position at June 30, 2018. Additional information about the Town's net pension liability is presented in note 14 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Vivian's management considered many factors when setting the fiscal year June 30, 2019 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same. Expenditures for 2019 are expected to remain substantially the same.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the Town of Vivian and to show the Town of Vivian's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor at P.O. Box 832, Vivian, LA 71082.

Town of Vivian
Vivian, Louisiana
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,005,253	\$ 17,374	\$ 1,022,627
Investments	249,716	74,999	324,715
Receivables (net of allowance for uncollectibles)	151,067	179,217	330,284
Prepaid expenses	48,162	21,899	70,061
Internal balances	(50,079)	50,079	
Restricted assets:			
Cash and cash equivalents		272,600	272,600
Investments		24,433	24,433
Capital assets not being depreciated	1,750,487	120,107	1,870,594
Depreciable capital assets, net	6,625,361	6,532,016	13,157,377
Total assets	<u>9,779,967</u>	<u>7,292,724</u>	<u>17,072,691</u>
Deferred Outflows of Resources			
Pension Related	<u>84,869</u>	<u>133,198</u>	<u>218,067</u>
Liabilities			
Accounts payable and accrued expenses	66,795	52,559	119,354
Payable from restricted assets:			
Customer deposits		77,633	77,633
Non-current liabilities:			
Due within one year	222,189	54,582	276,771
Due in more than one year	1,200,629	3,329,300	4,529,929
Total liabilities	<u>1,489,613</u>	<u>3,514,074</u>	<u>5,003,687</u>
Deferred Inflows of Resources			
Pension Related	<u>30,659</u>	<u>8,973</u>	<u>39,632</u>
Net Position			
Net investment in capital assets	7,314,114	3,553,192	10,867,306
Restricted for:			
Industrial development	717,793		717,793
Debt service		219,400	219,400
Unrestricted	312,657	130,283	442,940
Total net position	<u>\$ 8,344,564</u>	<u>\$ 3,902,875</u>	<u>\$ 12,247,439</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Activities
For the Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions / Programs:							
Governmental Activities							
General government	\$ 477,468	\$ 22,475	\$ 8,505	\$ 7,534	\$ (446,488)	\$	\$ (446,488)
Economic development	209,958	51,000			(151,424)		(151,424)
Public safety	833,342	55,074	54,359		(723,909)		(723,909)
Public works	548,289				(548,289)		(548,289)
Town services	57,373				(57,373)		(57,373)
Recreation	107,088				(107,088)		(107,088)
Interest on long-term debt	45,816				(45,816)		(45,816)
Total governmental activities	2,279,334	128,549	62,864	7,534	(2,080,387)		(2,080,387)
Business-type Activities							
Utility	1,597,913	1,409,396	8,199	28,732		(151,586)	(151,586)
Total business-type activities	1,597,913	1,409,396	8,199	28,732		(151,586)	(151,586)
Total Government	\$ 3,877,247	\$ 1,537,945	\$ 71,063	\$ 36,266	(2,080,387)	(151,586)	(2,231,973)
General revenues:							
					1,410,857	53,717	1,464,574
					118,430		118,430
					112,154		112,154
					4,077		4,077
					1,783	2,528	4,311
					124,025	39,829	163,854
Total general revenues					1,771,326	96,074	1,867,400
						(309,061)	(55,512)
							(364,573)
					8,653,625	3,958,387	12,612,012
					\$ 8,344,564	\$ 3,902,875	\$ 12,247,439

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Balance Sheet
Governmental Funds
June 30, 2018

	General	Sales Tax	Vivian Industrial Development	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 261,593	\$ 118,712	\$ 624,948	\$ 1,005,253
Investments	249,716			249,716
Receivables	42,778	108,289		151,067
Due from other funds	229,715		92,845	322,560
Total assets	<u>\$ 783,802</u>	<u>\$ 227,001</u>	<u>\$ 717,793</u>	<u>\$ 1,728,596</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)				
Liabilities:				
Accounts payable and accrued expenses	\$ 63,209	\$	\$	\$ 63,209
Due to other funds	100,705	271,934		372,639
Total liabilities	<u>163,914</u>	<u>271,934</u>		<u>435,848</u>
Fund Balances (Deficit):				
Restricted:				
Industrial development			717,793	717,793
Unassigned	619,888	(44,933)		574,955
Total fund balances (deficit)	<u>619,888</u>	<u>(44,933)</u>	<u>717,793</u>	<u>1,292,748</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 783,802</u>	<u>\$ 227,001</u>	<u>\$ 717,793</u>	<u>\$ 1,728,596</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Fund balances - total governmental funds	\$	1,292,748
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,375,848
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The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.		48,162
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Other long-term assets and other amounts are not available to pay for current-period expenditures and therefore are unavailable in the funds. Deferred outflows of resources - pension related		84,869
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Long-term liabilities and other amounts, including bonds, net pension liabilities and notes payable are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest	(3,586)	
Certificates of indebtedness	(1,061,733)	
EDAP	(128,889)	
Net pension liability	(223,890)	
Deferred inflows of resources - pension related	(30,659)	
Compensated absences	(8,306)	
		(1,457,063)

Net position of governmental activities	\$	8,344,564
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The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

Revenues:	General	Sales Tax	Vivian Industrial Development	Total Governmental Funds
Taxes	\$ 246,522	\$ 1,164,335	\$	\$ 1,410,857
Oil and gas income	4,077			4,077
Licenses and permits	118,430			118,430
Intergovernmental	2,062			2,062
Charges for services	22,475		51,000	73,475
Fines and forfeitures	55,074			55,074
Franchise taxes	112,154			112,154
Investment earnings	478		1,305	1,783
Miscellaneous	156,929		21,455	178,384
Total revenues	<u>718,201</u>	<u>1,164,335</u>	<u>73,760</u>	<u>1,956,296</u>
Expenditures:				
Current:				
General government	348,793	12,810		361,603
Public safety	819,034			819,034
Public works	253,411			253,411
Town services	57,373			57,373
Recreation	66,613			66,613
Economic development			71,331	71,331
Capital Outlay	63,449			63,449
Debt service:				
Principal retirement	170,083			170,083
Interest and other charges	45,816			45,816
Total expenditures	<u>1,824,572</u>	<u>12,810</u>	<u>71,331</u>	<u>1,908,713</u>
Excess (deficiency) of revenues over expenditures	<u>(1,106,371)</u>	<u>1,151,525</u>	<u>2,429</u>	<u>47,583</u>
Other financing sources (uses):				
Transfers in	1,046,253		116,250	1,162,503
Transfers out		(1,162,503)		(1,162,503)
Total other financing sources (uses)	<u>1,046,253</u>	<u>(1,162,503)</u>	<u>116,250</u>	
Net change in fund balances	(60,118)	(10,978)	118,679	47,583
Fund balances (deficit) at beginning of year, restated	<u>680,006</u>	<u>(33,955)</u>	<u>599,114</u>	<u>1,245,165</u>
Fund balances (deficit) at end of year	<u>\$ 619,888</u>	<u>\$ (44,933)</u>	<u>\$ 717,793</u>	<u>\$ 1,292,748</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	47,583
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$607,873) exceeded capital outlay (\$73,957) in the current period.</p>		(533,916)
<p>The repayment of principal of long-term debt consumes current financial resources of governmental funds.</p>		170,083
<p>Revenues that are not available to pay current obligations are not reported in the fund financial statements.</p>		
Non-employer contributions to cost-sharing pension plan		6,442
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>		
Compensated absences	21,624	
Accrued interest	571	
Prepaid expenses	(3,522)	
Pension expense	(25,460)	(6,787)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		7,534
		(309,061)
Change in net position of governmental activities	\$	(309,061)

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Net Position
Proprietary Funds
June 30, 2018

	<u>Business-Type Activities- Enterprise Funds</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 17,374
Investments	74,999
Receivables (net of allowance for uncollectibles)	179,217
Prepaid expenses	21,899
Due from other funds	70,079
Restricted cash and cash equivalents - customer deposits	53,200
Restricted investments - customer deposits	<u>24,433</u>
Total current assets	<u>441,201</u>
Noncurrent assets:	
Restricted cash and cash equivalents - debt service	219,400
Capital assets:	
Land	64,086
Construction in process	56,021
Plant and equipment	13,028,338
Less: accumulated depreciation	<u>(6,496,322)</u>
Total noncurrent assets	<u>6,871,523</u>
Total assets	<u>7,312,724</u>
Deferred outflows of resources	
Pension related	<u>133,198</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	52,559
Due to other funds	20,000
Water and Sewer revenue bonds	54,582
Payable from restricted assets:	
Customer deposits	<u>77,633</u>
Total current liabilities	<u>204,774</u>
Noncurrent liabilities:	
Capital lease	168,062
Water and Sewer revenue bonds	2,876,287
Net Pension Liability	<u>284,951</u>
Total noncurrent liabilities	<u>3,329,300</u>
Total liabilities	<u>3,534,074</u>
Deferred inflows of resources	
Pension related	<u>8,973</u>
Net position	
Net investment in capital assets	3,553,192
Restricted:	
Debt service	219,400
Unrestricted	130,283
Total net position	<u>\$ 3,902,875</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Business-Type Activities- Enterprise Funds</u>
Operating revenues:	
Water sales	\$ 771,557
Sewerage service charges	313,037
Garbage charges	251,782
Delinquent charges	73,020
Miscellaneous revenues	39,829
Total operating revenues	<u>1,449,225</u>
Operating expenses:	
General and administrative expenses	238,978
Water department expenses	362,813
Sewer department expenses	274,840
Garbage department expense	237,433
Depreciation expense	347,544
Total operating expenses	<u>1,461,608</u>
Operating income (loss)	<u>(12,383)</u>
Non-operating revenues (expenses):	
Ad valorem taxes	53,717
Operating grants and contributions	8,199
Interest income	2,528
Interest expense	(136,305)
Total non-operating revenues	<u>(71,861)</u>
Income (loss) before capital contributions	(84,244)
Capital contributions	<u>28,732</u>
Change in net position	(55,512)
Net position - beginning of year	<u>3,958,387</u>
Net position - end of year	<u>\$ 3,902,875</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Business-Type Activities- Enterprise Funds</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,313,758
Cash payments to suppliers for goods and services	(737,980)
Cash payments to employees for services	(421,722)
Other receipts (payments)	112,849
Net Cash From Operating Activities	<u>266,905</u>
Cash Flows From Non-Capital Financing Activities	
Advances to other funds	(70,079)
Advances from other funds	(51,052)
Ad valorem taxes	53,717
Net Cash (Used In) Non-capital Financing Activities	<u>(67,414)</u>
Cash Flows From Capital and Related Financing Activities	
Capital contributions	81,641
Acquisition/construction of capital assets	(97,797)
Principal paid on capital debt	(158,393)
Interest paid on capital debt	(144,761)
Net Cash (Used In) Capital and Related Financing Activities	<u>(319,310)</u>
Cash Flow From Investing Activities	
Sale of investments	53,522
Interest income	2,528
Net Cash from Investing Activities	<u>56,050</u>
Net Decrease in Cash and Cash Equivalents	(63,769)
Cash, Beginning of year	<u>353,743</u>
Cash, End of year	<u>\$ 289,974</u>
Cash and cash equivalents are reflected on the statement of net position as follows:	
Cash and cash equivalents	\$ 17,374
Restricted cash and cash equivalents - customer deposits	53,200
Restricted cash and cash equivalents - debt service	219,400
	<u>\$ 289,974</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (12,383)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Depreciation expense	347,544
Accounts receivable	(22,618)
Prepaid expense	(726)
Accounts payable and accrued expenses	(70,432)
Pension related	24,839
Customer deposits	681
Net Cash Flows From Operating Activities	<u>\$ 266,905</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018

INTRODUCTION

The Town of Vivian was incorporated on February 12, 1912 under the provisions of the Lawrason Act. The Town operates under a Mayor–Board of Aldermen form of government.

(1) Summary of Significant Accounting Policies

The Town of Vivian's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town of Vivian are discussed below.

A. Reporting Entity

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

GASB established criteria for determining which component units should be considered part of the Town of Vivian for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

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

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

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

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. There were no entities that were determined to be component units of the Town of Vivian.

B. Basic Financial Statements – Government-Wide Statements

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town of Vivian's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function.

Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water and sewer services. The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

C. Basic Financial Statements – Fund Financial Statements

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

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

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

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

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

General Fund – accounts for all financial resources except those required to be accounted for in another fund.

Sales Tax Fund – accounts for the proceeds of sales taxes levied for industrial development, street and drainage improvements, recreational programs, and public safety.

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

Vivian Industrial Development - accounts for the proceeds of sales taxes levied that are legally restricted to expenditures for specific purposes.

D. Basis of Accounting

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

1. Accrual:

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

2. Modified Accrual:

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

E. Budget and Budgetary Accounting

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

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen. There was one amendment to the budget for the year ended June 30, 2018.

F. Cash, Cash Equivalents, and Investments

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

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

G. Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost based on the following threshold levels for capitalizing assets:

Land	\$	1
Land improvements		10,000
Buildings		10,000
Vehicles, machinery, and equipment		5,000
Infrastructure		25,000

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, net of interest earned on specific project related debt, during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed.

Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20–40 years
Equipment	5–15 years
Water and sewer systems	25 years
Outdoor and playground equipment	20 years
Infrastructure	40–50 years

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

In accordance with GASB statements, because of the costs involved in retroactively capitalizing infrastructure, the Town has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB statements forward and will not retroactively capitalize infrastructure.

H. Revenues

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

I. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Fund Balance

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
2. Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the board of alderman (the Town's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of aldermen removes those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.
5. Unassigned fund balance are the residual classification for the Town's general fund and include all spendable amounts not contained in the other classifications.

The Town's policy is to apply expenditures against nonspendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order.

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

K. Sales Taxes

Proceeds of a 1% sales and use tax levied by the Town of are dedicated to the following purposes:

1. Providing funds in the amount of 25% of the proceeds of such tax each year for constructing, acquiring, improving, and/or maintaining industrial parks and buildings and equipment to induce the location of industry in the Town.
2. Providing funds in the amount of 25% of the proceeds of such tax for such year to the General Fund of the Town to be used for any lawful corporate purpose.
3. The remaining proceeds are to be used for street improvements and/or recreational programs.

Proceeds of another 1% sales and use tax levied by the Town of Vivian are dedicated to the Police Department to be used for any lawful corporate purpose.

Proceeds of another 1/2% sales and use tax levied by the Town of Vivian are dedicated for the purpose of opening, paving, constructing and improving public streets and bridges, including drainage incidental thereto, and further authority to fund the proceeds of the tax into bonds for the aforesaid purposes.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

L. Compensated Absences

The Town's policy is to pay accumulated sick leave and vacation leave upon termination or retirement. Vesting of sick leave and accumulation of vacation leave are dependent on the employee's year of service and other criteria in accordance with the Town's policies. Unused vacation and sick days earned during the calendar year not taken during the year will be paid to an employee upon termination of employment during same calendar year.

M. Interfund Activity

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

N. Use of Estimates

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

O. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P. Bad Debts

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

Q. Capitalized Interest

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

R. Statement of Cash Flows

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

S. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has deferred outflows of resources related to pensions reported in the government-wide statement of net position and the statement of net position for proprietary funds.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents 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 Town currently has deferred inflows of resources related to pensions government-wide statement of net position and the statement of net position for proprietary funds.

U. Pension Plan

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

(2) Levied Taxes

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

(Continued)

Town of Vivian
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Notes to Financial Statements
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(Continued)

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General	14.86	14.59	N/A
Streets	2.79	2.74	2027
Sewer Maintenance	2.79	2.74	2027
Water Maintenance	1.40	1.38	2027

Approximately 34% of the Town's ad valorem taxes are derived from 10 taxpayers.

(3) Cash, Cash Equivalents, and Investments

At June 30, 2018, the Town has cash, cash equivalents, and investments (book balances), totaling \$1,644,375, as detailed below.

A. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2018 (book balances) totaled \$1,295,227 of which \$272,600 is shown as a restricted asset. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Investments

At June 30, 2018, the Town had investments totaling \$349,148, of which \$24,433 is shown as restricted.

Certificates of deposit	<u>\$ 349,148</u>
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The certificates of deposit have initial maturities greater than 90 days and are carried at cost, which approximates market.

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2018, \$914,378 of the Town's bank balances totaling \$1,699,463 were exposed to custodial credit risk as follows:

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

	<u>2017</u>
Cash and cash equivalents	\$ 891,433
Investments	<u>22,945</u>
	<u>\$ 914,378</u>

(Continued)

Town of Vivian
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Notes to Financial Statements
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(Continued)

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

(4) Receivables

The following is a summary of receivables at June 30, 2018:

Class of Receivable	2018
Governmental activities –	
Property taxes	\$ 92,254
Miscellaneous	14,788
Sales taxes	108,289
Franchise taxes	26,793
Allowance for uncollectibles	<u>(91,057)</u>
	<u>151,067</u>
Business-type activities –	
Accounts receivable – water and sewer charges	\$ 193,546
Miscellaneous	777
Allowance for Uncollectibles	<u>(15,106)</u>
	<u>179,217</u>
 Total	 <u>\$ 330,284</u>

(5) Restricted Assets

Restricted assets were applicable to the following at June 30, 2018:

	<u>Business-Type Activities</u>
Customer Deposits	\$ 77,633
Debt service	<u>219,400</u>
 Total	 <u>\$ 297,033</u>

(Continued)

Town of Vivian
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Notes to Financial Statements
June 30, 2018
(Continued)

(6) Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance at 7/1/2017	Additions	Deletions	Transfers	Balance at 6/30/2018
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Construction in progress	\$ 700,546	\$	\$	\$ (700,546)	\$
Land	1,750,487				1,750,487
Total capital assets, not being depreciated	<u>2,451,033</u>			<u>(700,546)</u>	<u>1,750,487</u>
Capital assets, being depreciated:					
Buildings	2,202,000				2,202,000
Improvements	3,428,059	35,508		145,307	3,608,874
Infrastructure	3,510,624			555,239	4,065,863
Vehicles and equipment	1,675,442	38,449			1,713,891
Total capital assets, being depreciated	<u>10,816,125</u>	<u>73,957</u>		<u>700,546</u>	<u>11,590,628</u>
Less accumulated depreciation:					
Buildings	(1,020,284)	(63,989)			(1,084,273)
Improvements	(841,009)	(72,506)			(913,515)
Infrastructure	(1,291,778)	(292,612)			(1,584,390)
Vehicles and equipment	(1,204,323)	(178,766)			(1,383,089)
Total accumulated depreciation	<u>(4,357,394)</u>	<u>(607,873)</u>			<u>(4,965,267)</u>
Total capital assets, being depreciated, net	<u>6,458,731</u>	<u>(533,916)</u>		<u>700,546</u>	<u>6,625,361</u>
Governmental activities capital assets, net	<u>\$ 8,909,764</u>	<u>\$ (533,916)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,375,848</u>

Depreciation expense was charged to Governmental Activities as follows:

General government	\$ 96,449
Economic development	149,186
Public safety	23,936
Public works	297,872
Recreation	40,430
	<u>\$ 607,873</u>

(Continued)

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Notes to Financial Statements
June 30, 2018
(Continued)

	<u>Balance at</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/2018</u>
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 56,021	\$	\$	\$ 56,021
Land	64,086			64,086
Total capital assets, not being depreciated	<u>120,107</u>			<u>120,107</u>
Capital assets, being depreciated:				
Administration	104,463			104,463
Water equipment	7,477,675	41,388		7,519,063
Sewer equipment	5,404,812			5,404,812
Total capital assets, being depreciated	<u>12,986,950</u>	<u>41,388</u>		<u>13,028,338</u>
Less accumulated depreciation:				
Administration	(97,001)	(3,996)		(100,997)
Water equipment	(3,493,644)	(249,188)		(3,742,832)
Sewer equipment	(2,558,133)	(94,360)		(2,652,493)
Total accumulated depreciation	<u>(6,148,778)</u>	<u>(347,544)</u>		<u>(6,496,322)</u>
Total capital assets, being depreciated, net	<u>6,838,172</u>	<u>(306,156)</u>		<u>6,532,016</u>
Business-type activities capital assets, net	<u>\$6,958,279</u>	<u>\$(306,156)</u>	<u>\$</u>	<u>\$6,652,123</u>

Depreciation expense was charged to Business-Type Activities as follows:

Water	\$ 253,184
Sewer	94,360
	<u>\$ 347,544</u>

(Continued)

Town of Vivian
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Notes to Financial Statements
June 30, 2018
(Continued)

(7) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2018, consisted of the following:

<u>Class of Payable</u>	<u>Governmental Funds/Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 31,381	\$ 19,541	\$ 50,922
Salaries and payroll taxes	20,488	4,188	24,676
Miscellaneous	10,010	21,236	31,246
Compensated absences	<u>1,330</u>	<u>7,594</u>	<u>8,924</u>
Total governmental funds	63,209	52,559	115,768
Accrued interest	<u>3,586</u>		<u>3,586</u>
Total governmental activities	<u>\$ 66,795</u>	<u>\$ 52,559</u>	<u>\$ 119,354</u>

(8) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$77,633 at June 30, 2018.

(9) Interfund Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>
Governmental Funds:		
General	\$ 1,046,253	\$
Sales Tax		1,162,503
Vivian Industrial Development	<u>116,250</u>	
Total Governmental Funds	<u>\$ 1,162,503</u>	<u>\$ 1,162,503</u>

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

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Town of Vivian
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Notes to Financial Statements
June 30, 2018
(Continued)

(10) Interfund Balances

Interfund balances at June 30, 2018 consisted of the following:

	<u>Due From Other Fund</u>	<u>Due To Other Fund</u>	<u>Net</u>
Governmental Funds:			
General	\$ 229,715	\$ 100,705	\$ 129,010
Sales tax		271,934	(271,934)
Vivian Industrial Development	<u>92,845</u>		<u>92,845</u>
Total Governmental Funds	<u>322,560</u>	<u>372,639</u>	<u>(50,079)</u>
Enterprise Funds	<u>70,079</u>	<u>20,000</u>	<u>50,079</u>
Total	<u>\$ 392,639</u>	<u>\$ 392,639</u>	<u>\$ _____</u>

The interfund balances are the results of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

(11) Risk Management

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

(12) Restatement of Net Position/Fund Balance

Governmental activities net position and general fund fund balance as of June 30, 2017 have been restated as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>
Net position/fund balance as previously reported	\$ 8,637,925	\$ 679,399
To correct loan balance as a result of loan forgiveness	15,093	
To correct payroll liabilities	(13,418)	(13,418)
To correct cash – void checks	<u>14,025</u>	<u>14,025</u>
Net position/fund balance, restated	<u>\$ 8,653,625</u>	<u>\$ 680,006</u>

(Continued)

Town of Vivian
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Notes to Financial Statements
June 30, 2018
(Continued)

(13) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Certificates of Indebtedness	\$ 1,231,816	\$	\$ (170,083)	\$ 1,061,733	\$ 176,090
Economic Development Award Program (EDAP)	136,423		(7,534)	128,889	37,793
Other long-term liabilities - Net pension liability	188,787	35,103		223,890	
Compensated absences	<u>33,946</u>		<u>(24,310)</u>	<u>9,636</u>	<u>9,636</u>
 Total - Governmental Activities long-term liabilities	 <u>\$ 1,590,972</u>	 <u>\$ 35,103</u>	 <u>\$ (201,927)</u>	 1,424,148	 223,519
 Less amounts due within period of availability				 <u>(1,330)</u>	 <u>(1,330)</u>
 Total long-term liabilities, government-wide statements				 <u>\$ 1,422,818</u>	 <u>\$ 222,189</u>

Payments on certificates of indebtedness are made from the general fund. Payments on EDAP cooperative endeavor agreement are made from the industrial development fund. Payments on compensated absences are made by the fund for which the employee worked.

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Town of Vivian
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Notes to Financial Statements
June 30, 2018
(Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Water and Sewer Revenue Bonds	\$ 2,985,451	\$	\$ (54,582)	\$ 2,930,869	\$ 54,582
Other long-term liabilities -					
Capital lease	271,873		(103,811)	168,062	
Net pension liability	308,020		(23,069)	284,951	
Compensated absences	46,831		(39,237)	7,594	7,594
Total - Business-type Activities long-term liabilities	\$ 3,612,175	\$	\$ (220,699)	3,391,476	62,176
Less amounts due within period of availability				(7,594)	(7,594)
Total long-term liabilities, government-wide statements				\$ 3,383,882	\$ 54,582

Payments on capital lease and revenue bonds are made from the utility fund. Payments on compensated absences are made by the fund for which the employee worked.

Certificate of Indebtedness

\$2,000,000 dated 11/30/11. Due in quarterly installments
of \$ 54,117.48 through December 2023; interest at 4.49% \$ 1,061,733

Water and Sewer Revenue Bonds –

\$3,440,000 dated 04/22/09. Due in monthly installments of
\$15,343 through April 2049; interest at 4.38%. Payable from
income and revenues derived from the waterworks and sewer system. \$ 2,930,869

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

The annual requirements to amortize all debt outstanding at June 30, 2018 were as follows:

Governmental Activities – Certificate of Indebtedness

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 176,090	\$ 40,380
2020	183,331	33,139
2021	190,869	25,600
2022	198,718	17,752
2023	206,889	9,581
2024	105,836	1,627
	<u>\$ 1,061,733</u>	<u>\$ 128,079</u>

Business-type Activities – Water and Sewer Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 54,582	\$ 127,097
2020	59,220	124,896
2021	62,207	121,909
2022	64,984	119,132
2023	67,885	116,231
2024 – 2028	387,029	533,551
2029 – 2033	481,880	438,700
2034 – 2038	599,519	321,061
2039 – 2043	745,880	174,700
2044 – 2048	407,683	21,924
	<u>\$ 2,930,869</u>	<u>\$ 2,099,201</u>

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Town of Vivian
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Notes to Financial Statements
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(Continued)

Business-type Activities – Capital Lease

The Town entered into a Louisiana Municipal Lease-Purchase Agreement for financing automated meter reading system and certain wastewater treatment plant upgrades. The gross amount of assets recorded under this capital lease was \$578,478, the related accumulated depreciation was \$229,152, and the net book value was \$349,326. The lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of their future minimum lease payments as of the inception date. The lease was dated May 8, 2006, for \$620,000, and is due in annual installments of \$59,519 through July 10, 2021. This capital lease was refinanced on July 8, 2016. The maturities below reflect the refinanced amount.

The payment due July 10, 2018, was paid June 29, 2018, therefore no maturity for 2019 is reflected below. The future minimum lease obligation and net present value of the minimum lease payments as of June 30, 2018, was as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 54,324	\$ 5,195
2021	56,003	3,516
2022	<u>57,735</u>	<u>1,783</u>
	<u>\$ 168,062</u>	<u>\$ 10,494</u>

The lease was renewed in December 2018 to refinance certain equipment and to purchase new equipment. Total amount financed was \$382,240, with annual payments of \$63,391 through August 2025.

Governmental Activities – Economic Development Award Program

A cooperative endeavor agreement was entered into and was effective April 15, 2011, by and among the Louisiana Economic Development Corporation, acting through the Louisiana Department of Economic Development (LED); Epic Boats, LLC (Company) and the Town of Vivian (Sponsoring Entity). The parties to the agreement intend to develop an industrial or business development project requiring basic infrastructure, with the funding from the special fund of the State of Louisiana, pursuant to the Economic Development Award Program (EDAP). The EDAP Award in the amount of \$170,000, is justified, starting as a loan which may be converted to a grant if the employment and payroll obligations undertaken by the Company in this agreement are created, retained and maintained as agreed by the Company through the end of the term of this agreement. LED agrees to lend unto Sponsoring Entity \$170,000 with interest rate at the U.S. Treasury Rate for similar bank financing plus 2% per annum and be repaid over a period of 10 years. It is anticipated that this Loan repayment obligation will be repaid by applying to the principal due on the Loan the "Jobs/Payroll Credits" provided by the Company's creation of the required number of jobs as specified by the agreement. The Town – Sponsoring Entity and the Company are bound in solido in connection with this repayment obligation. The Company is the primary obligor and the Town – Sponsoring Entity will be the guarantor in the event of default by the Company. All obligations of the Company described under this agreement are further secured and guaranteed by a certain individual.

The Town has been notified by Louisiana Department of Economic Development that Epic Boats, LLC and the Town are not in good standing with regards to the terms of the cooperative endeavor agreement.

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Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

The annual requirements to amortize the debt outstanding at June 30, 2018 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 37,793	\$ 5,438
2020	24,815	3,844
2021	28,168	2,797
2022	38,113	1,608
	<u>\$ 128,889</u>	<u>\$ 13,687</u>

(14) Pension Plans

Employees of the Town are members of the Municipal Employees Retirement System. The following is a description of the plan and benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

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

Plan Description

Eligibility Requirements:

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

Retirement Benefits:

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

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

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Notes to Financial Statements
June 30, 2018
(Continued)

Eligibility for retirement for Plan B Tier 2 members is as follows:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave.

Generally, the monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

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

DROP Benefits:

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

Disability Benefits:

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

(Continued)

Town of Vivian
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Notes to Financial Statements
June 30, 2018
(Continued)

Cost of Living Increases:

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

Deferred Benefits:

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

Contributions

Contributions for all members are established by statute. Member contributions are at 5% of earnable compensation for Plan B. According to state statute, contribution requirements for all employers are actuarially determined each year. For the plan years ending June 30, 2018 and 2017, the actual employer contribution rates were 13.25% and 11.0%, respectively, for Plan B. The Town's contributions to the System for the years ended June 30, 2018, 2017, and 2016, were \$50,650, \$48,832, and \$40,568, respectively.

Non-Employer Contributions

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions totaling \$14,642 are recognized as revenue during the year ended June 30, 2018, and excluded from pension expense.

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

At June 30, 2018, the Town reported a liability of \$508,841 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the fiscal year ended June 30, 2017 as compared to the total of all employers' contributions received by the System during the fiscal year ended June 30, 2017. The Town's proportion as measured at June 30, 2017, was .588097%, which was a decrease of .01125% from its proportion measured as of June 30, 2016.

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(Continued)

For the year ended June 30, 2018, the Town recognized pension expense of \$96,073, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$(1,067).

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 Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between expected and actual experience	\$ 4,860	\$ 6,186
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,799	2,787
Total	<u>\$ 30,659</u>	<u>\$ 8,973</u>

	<u>Deferred Outflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Changes of assumptions	\$ 9,858	\$ 12,546
Differences between expected and actual experience	1,173	1,492
Net difference between projected and actual earnings on pension plan investments	47,172	60,038
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,380	30,758
Employer contributions subsequent to the measurement Date	<u>22,286</u>	<u>28,364</u>
Total	<u>\$ 84,869</u>	<u>\$ 133,198</u>

The Town reported a total of \$50,650 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.

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

<u>Year</u>	<u>Amount</u>
2019	\$ 51,235
2020	48,167
2021	21,984
2022	6,399
Total	<u>\$ 127,785</u>

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Town of Vivian
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 Notes to Financial Statements
 June 30, 2018
 (Continued)

Actuarial Methods and Assumptions

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

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

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized in the following table:

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

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

Sensitivity to Changes in Discount Rate

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

	<u>Changes in Discount Rate</u>		
	<u>1%</u>	<u>Current</u>	<u>1%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>6.40%</u>	<u>7.40%</u>	<u>8.40%</u>
Net Pension Liability	\$ 658,383	\$ 508,841	\$ 381,227

Changes in Net Pension Liability

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

Differences between Expected and Actual Experience:

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

Differences between Projected and Actual Investment Earnings:

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

Changes of Assumptions:

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

Changes in Proportion:

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

Contributions – Proportionate Share

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

Pension Plan Fiduciary Net Position

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

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2018
(Continued)

(15) Lease Revenue

The Town entered into a leasing agreement to lease a building owned by the Town. Under the lease the Town will receive a monthly amount ranging from \$4,000 to \$6,000 per month, beginning on April 1, 2015 and ending on March 31, 2025. The lease agreement contains a continuing option to purchase the property through March, 2025, for the purchase price of \$600,000. Monthly lease payments made through the date the option to purchase is exercised shall be applied to the purchase price. Payments received under this lease for the year ended June 30, 2018, totaled \$51,000. Future minimum lease payments to be received by the Town are as follows:

<u>Fiscal Year</u>	
2019	\$ 60,000
2020	60,000
2021	63,000
2022	72,000
2023	72,000
2024 – 2025	<u>126,000</u>
	<u>\$ 453,000</u>

(16) Subsequent Events

In December 2018, the Town refinanced a capital lease on certain equipment and to purchase new equipment. Total amount financed was \$382,240, with annual payments of \$63,391 through August 2025.

Subsequent events have been evaluated through February 22, 2019, the date the financial statements were available to be issued.

(17) Contingencies

The Town is a defendant in several lawsuits. At this time, the outcome of the lawsuits is unknown. Management believes that the ultimate resolution of the lawsuits will not have a significant effect on the Town's financial position or results of operations.

(18) Uncertainties – Investigation

The Town has turned over certain matters brought to their attention to the local parish sheriff's office for consideration. The effect on the financial statements of any investigation into such matters is not known.

Town of Vivian
Vivian, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 294,000	\$ 265,000	\$ 246,522	\$ (18,478)
Fines and forfeitures	60,200	60,000	55,074	(4,926)
Licenses and permits	113,100	105,150	118,430	13,280
Franchise taxes	75,000	75,000	112,154	37,154
Oil and gas income	7,500		4,077	4,077
Intergovernmental	42,500	2,500	2,062	(438)
Charges for services			22,475	22,475
Investment earnings	500	500	478	(22)
Miscellaneous	94,450	91,850	156,929	65,079
Total revenues	<u>687,250</u>	<u>600,000</u>	<u>718,201</u>	<u>118,201</u>
Expenditures:				
Current:				
General government	199,981	199,981	348,793	(148,812)
Public safety	741,608	741,608	819,034	(77,426)
Public works	272,360	272,360	253,411	18,949
Town services	97,346	97,346	57,373	39,973
Recreation	59,800	59,800	66,613	(6,813)
Capital outlay	25,000	225,000	63,449	161,551
Debt service:				
Principal retirement	137,806	137,806	170,083	(32,277)
Interest and other charges	78,664	78,664	45,816	32,848
Total expenditures	<u>1,612,565</u>	<u>1,812,565</u>	<u>1,824,572</u>	<u>(12,007)</u>
Excess (deficiency) of revenues over expenditures	<u>(925,315)</u>	<u>(1,212,565)</u>	<u>(1,106,371)</u>	<u>106,194</u>
Other financing sources (uses):				
Transfers in	950,000	950,145	1,046,253	96,108
Total other financing sources (uses)	<u>950,000</u>	<u>950,145</u>	<u>1,046,253</u>	<u>96,108</u>
Net change in fund balance	24,685	(262,420)	(60,118)	202,302
Fund balances at beginning of year		<u>679,000</u>	<u>680,006</u>	<u>1,006</u>
Fund balances at end of year	<u>\$ 24,685</u>	<u>\$ 416,580</u>	<u>\$ 619,888</u>	<u>\$ 203,308</u>

Town of Vivian
Vivian, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Sales Tax Fund
For the Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Sales tax	\$ 1,068,774	\$ 1,102,729	\$ 1,164,335	\$ 61,606
Investment earnings	50	50		(50)
Total revenues	<u>1,068,824</u>	<u>1,102,779</u>	<u>1,164,335</u>	<u>61,556</u>
Expenditures:				
Current:				
General government	13,000	13,000	12,810	190
Total expenditures	<u>13,000</u>	<u>13,000</u>	<u>12,810</u>	<u>190</u>
Excess (deficiency) of revenues over expenditures	<u>1,055,824</u>	<u>1,089,779</u>	<u>1,151,525</u>	<u>61,746</u>
Other financing sources (uses):				
Transfers out	<u>(1,055,774)</u>	<u>(1,055,774)</u>	<u>(1,162,503)</u>	<u>(106,729)</u>
Total other financing sources (uses)	<u>(1,055,774)</u>	<u>(1,055,774)</u>	<u>(1,162,503)</u>	<u>(106,729)</u>
Net change in fund balance	50	34,005	(10,978)	(44,983)
Fund balance (deficit) at beginning of year		<u>(33,955)</u>	<u>(33,955)</u>	
Fund balance (deficit) at end of year	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ (44,933)</u>	<u>\$ (44,983)</u>

Town of Vivian
Vivian, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Vivian Industrial Development Fund
For the Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Miscellaneous income	\$ 68,000	\$ 11,000	\$ 72,455	\$ 61,455
Investment earnings	1,000	1,000	1,305	305
Total revenues	<u>69,000</u>	<u>12,000</u>	<u>73,760</u>	<u>61,760</u>
Expenditures:				
Current:				
Economic Development	79,500	59,500	71,331	(11,831)
Capital outlay	200,000	70,000		70,000
Total expenditures	<u>279,500</u>	<u>129,500</u>	<u>71,331</u>	<u>58,169</u>
Excess (deficiency) of revenues over expenditures	<u>(210,500)</u>	<u>(117,500)</u>	<u>2,429</u>	<u>119,929</u>
Other financing sources (uses):				
Transfers in	<u>117,622</u>	<u>105,629</u>	<u>116,250</u>	<u>10,621</u>
Total other financing sources (uses)	<u>117,622</u>	<u>105,629</u>	<u>116,250</u>	<u>10,621</u>
Net change in funds balance	(92,878)	(11,871)	118,679	130,550
Fund balance at beginning of year	<u>540,000</u>	<u>599,000</u>	<u>599,114</u>	<u>114</u>
Fund balance at end of year	<u>\$ 447,122</u>	<u>\$ 587,129</u>	<u>\$ 717,793</u>	<u>\$ 130,664</u>

Town of Vivian
Vivian, Louisiana
Schedule of Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2018

Municipal Employees Retirement System of Louisiana

<u>Year Ended June 30</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered-employee payroll</u>	<u>Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2018	0.58810%	\$ 508,841	\$ 443,927	114.62%	63.49%
2017	0.59935%	496,807	427,035	116.34%	63.34%
2016	0.56287%	382,555	394,684	96.93%	68.71%
2015	0.56137%	263,563	406,713	64.80%	76.94%

*Amounts presented were determined as of the measurement date (fiscal year ended June 30).

Town of Vivian
Vivian, Louisiana
Schedule of Contributions
For the Year Ended June 30, 2018

Municipal Employees Retirement System of Louisiana

<u>Year Ended June 30</u>	<u>Contractually Required Contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2018	\$ 50,650	\$ 50,650	\$	\$ 382,299	13.25%
2017	48,832	48,832		443,927	11.00%
2016	40,568	40,568		427,035	9.50%
2015	37,495	37,495		394,684	9.50%

*Amounts presented were determined as of the end of the fiscal year (June 30).

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

Town of Vivian
Vivian, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended June 30, 2018

Mayor - Mike VanSchoick	\$ 26,600
Alderman:	
Raymond Williams	3,300
Angela Channel	3,300
Denise Alexander	3,300
Mandi Burton	3,300
Judy Wilson	3,300
	<hr/>
	\$ 43,100
	<hr/> <hr/>

Town of Vivian
 Vivian, Louisiana
 Schedule of Rates - User Fees
 For the Year Ended June 30, 2018

	Usage	Base	Per Additional 1,000 Gallons
WATER	Residential Inside:	0 - 2,000 Gallons over 2,000	N/A \$6.25
	Residential Outside:	0 - 2,000 Gallons over 2,000	N/A \$6.50
	Commercial Inside and Outside:	0 - 2,000 Gallons over 2,000	N/A \$6.50
SEWER	Residential:	0 - 2,000 Gallons over 2,000	N/A \$2.50
	Commercial:	0 - 2,000 Gallons over 2,000	N/A \$2.50
	Out of Town:	0 - 2,000 Gallons over 2,000	N/A \$2.50

System Users

System users at June 30, 2018 was as follows:

	Number of Customers
Water customers	1,451

Town of Vivian
Vivian, Louisiana
Schedule of Insurance
June 30, 2018

Company	Type Insurance	Policy Period	Coverage Limits
Stonetrust Insurance Company	Workers Comp	7/01/2017 to 7/01/2018	\$ 100,000 each accident 500,000 policy limit 100,000 each employee
Old Republic Insurance Company	Airport Liability	1/12/2017 to 1/12/2018 1/13/2018 to 1/13/2019	1,000,000 each occurrence
Nova Casualty	Law Enforcement Officer Errors and Omissions Employment Practices	7/01/2017 to 7/01/2018 7/01/2017 to 7/01/2018 7/01/2017 to 7/01/2018	1,000,000 per occurrence 1,000,000 per claim 1,000,000 per claim
Nova Casualty	Auto Liability and Physical Damage	7/01/2017 to 7/01/2018	1,000,000 per accident
EMC Insurance Company	Property/Inland Marine	2/16/2017 to 2/16/2018 2/16/2018 to 2/16/2019	8,679,764
EMC Insurance Company	Commercial Crime and Employee Dishonesty Policy	10/02/2016 to 10/02/2017 10/02/2017 to 10/02/2018	250,000
EMC Insurance Company	Mayor Public Official Bond	1/01/2015 to 12/31/2018	25,000
EMC Insurance Company	Mayor Pro-Tem Public Official Bond	1/01/2015 to 12/31/2018	25,000
EMC Insurance Company	Municipal Clerk Public Official Bond	12/31/2014 to 12/31/2018	25,000
Nova Casualty	Commercial General Liability	7/01/2017 to 7/01/2018	500,000 per occurrence

Town of Vivian
Vivian, Louisiana
Other Supplementary Information
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended June 30, 2018

Agency Head: Michael VanSchoick, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 26,600
Benefits-retirement	3,525
Reimbursements	630
Travel	304

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CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Honorable Mayor and Board of Aldermen
Town of Vivian
Vivian, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Vivian as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Vivian's basic financial statements, and have issued our report thereon dated February 22, 2019.

Internal Control over Financial Reporting

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

Our consideration of the 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 Summary Schedule of Current Year Audit Findings, 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 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 deficiencies described in the accompanying Summary Schedule of Current Year Audit Findings as items 2018-002, 2018-003, and 2018-006 to be material weaknesses.

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 deficiencies described in the accompanying Summary Schedule of Current Year Audit Findings as items 2018-001, 2018-004, 2018-009, and 2018-010 to be significant deficiencies.

Compliance and Other Matters

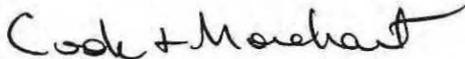
As part of obtaining reasonable assurance about whether Town of Vivian's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 Summary Schedule of Current Year Audit Findings as items 2018-005, 2018-007, and 2018-008.

Town of Vivian's Response to Findings

Town of Vivian's response to the findings identified in our audit is described in the accompanying Summary Schedule of Current Year Audit Findings. Town of Vivian's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Cook & Morehart
Certified Public Accountants
February 22, 2019

Town of Vivian
Vivian, Louisiana
Summary Schedule of Prior Year Audit Findings.
June 30, 2018

There were eight findings for the prior year audit for the year ended June 30, 2017.

2017-001 Significant Deficiency - Payroll

Condition: Time sheets / time cards were not approved on all employees by the employees' supervisors before payroll was prepared.

Recommendation: We recommend supervisory approval of all time sheets / time cards on all employees prior to payroll being prepared.

Current Status: See repeat finding in current year audit.

2017-002 Material Weakness - Collections

Condition: During our audit, we noted no evidence of review of daily work for collections by an appropriate town employee who was not involved in the collection process. There was also no evidence of a reconciliation of differences between daily work and subsidiary records. In addition, no documentation for collections could be located by town personnel for five months of the audit period.

Recommendation: We recommend appropriate town personnel review and approve daily work and reconcile any differences between daily work and subsidiary records. We also recommend that supporting documentation be maintained for all collections.

Current Status: See repeat finding in current year audit.

2017-003 Material Weakness – Accounting Records

Condition: The Town's accounting records, including budgetary financial statements, were not maintained on a current basis throughout the year. Bank reconciliations were also not done in a timely manner throughout the year.

Recommendation: We recommend that the Town's accounting records, including budgetary financial statements, be maintained on a current basis throughout the year, and that Town bank accounts be reconciled on a monthly basis.

Current Status: See repeat finding in current year audit.

2017-004 Significant Deficiency – Police Department Collections

Condition: Police fines are collected by the police department and not at Town hall. The employee who maintains subsidiary records for the police department fines is sometimes responsible for collecting those payments. Subsidiary records are not reviewed and reconciled to collections by Town accounting personnel.

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2018
(Continued)

Recommendation: We recommend that the Town segregate the duties of those maintaining police fines subsidiary records and those collecting payments. We also recommend that Town accounting personnel review and reconcile the subsidiary records to actual collections / deposits on a current basis.

Current Status: See repeat finding in current year audit.

2017-005 Finding – Questioned Costs

Finding: During our testing, we noted 3 transactions totaling \$16,517, for which no vendor invoices could be located by town personnel.

Recommendation: We recommend payments be made only from approved vendor invoices, and that all vendor invoices be properly maintained to support all purchases/payments made.

Current Status: The Town considered the disbursements to be appropriate.

2017-006 Significant Deficiency – Payroll Taxes

Condition: Several federal payroll tax deposits do not appear to have been made by the required due dates during the year. All federal payroll tax deposits do appear to have been made.

Recommendation: We recommend the Town develop appropriate controls to ensure all payroll tax deposits are made by the required due dates.

Current Status: See repeat finding in current year audit.

2017-007 Finding – Late Submission of Audit

Finding: The audit for the year ended June 30, 2017, was not submitted timely in accordance with state law.

Recommendation: We recommend that the Town establish appropriate controls for ensuring the audit will be submitted timely in the future.

Current Status: See repeat finding in current year audit.

2017-008 Finding - Budget

Condition: Actual expenditures and other financing uses for the General Fund and Sales Tax Fund exceeded budgeted expenditures by more than 5%.

Recommendation: We recommend a proper monitoring of budget to actual comparisons throughout the year and that budgets be appropriately amended when actual plus projected expenditures and other financing uses exceed budgeted amounts by more than 5%.

Current Status: See repeat finding in current year audit.

Town of Vivian
Vivian, Louisiana
Summary Schedule of Current Year Audit Findings
June 30, 2018

Current Year Findings

There are ten (10) findings for the current year audit, as described below.

2018-001 Significant Deficiency - Payroll

Condition: Time sheets / time cards were not approved on all employees by the employees' supervisors before payroll was prepared. In addition, clock in and clock out times were not consistently documented on time cards. Furthermore, vacation and sick time noted on time cards was not always in agreement with hours that were paid, as indicated on the payroll registers.

Criteria: Controls should be in place whereby employees time sheets / time cards are approved by supervisors on all employees before payroll is prepared. In addition, time cards should be completed accurately, and time entered into payroll registers should be in agreement with time noted on time cards.

Cause: The Town does not have a policy in place requiring approval of time sheets / time cards by supervisors for all employees. In addition, there is no review of time cards versus payroll registers to ensure time is properly noted on time sheets and in payroll registers.

Effect: Unauthorized or incorrect time could be paid which was not approved by management.

Recommendation: We recommend supervisory approval of all time sheets / time cards on all employees prior to payroll being prepared. We also recommend a supervisory review of payroll registers to ensure amounts entered are in agreement with time sheets / time cards.

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration has put in place appropriate controls over payroll, to include supervisory review and approval of time sheets / time cards, as well as supervisory review of payroll registers.

2018-002 Material Weakness – Collections

Condition: During our audit, we noted the following with regards to the Town's collection process:

- No evidence of review of daily work for collections by an appropriate town employee who was not involved in the collection process.
- For several months during the year, deposits were not made by the individuals accepting payments. All funds were given to the Town Clerk for deposit.
- Daily deposits were not being made.
- No reconciliation of daily work to subsidiary ledgers/reports.
- Customer meter deposits received were not being entered into subsidiary ledger timely as received. In addition, customer meter deposit liability per general ledger was not in agreement with customer meter deposit subsidiary report.
- Annual ad valorem tax roll was not entered into subsidiary software when billed. There was no reconciliation of ad valorem receipts to subsidiary ledger.
- No review of adjustments entered into subsidiary ledger to ensure all adjustments had proper approval.

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Current Year Audit Findings
June 30, 2018
(Continued)

Criteria: Appropriate controls should be in place over the collection process which provide for a review of collections of daily work by town personnel not involved in the collection process, a reconciliation of daily work and subsidiary records, and a review of all adjustments. In addition, daily deposits should be made, and all receipts should be entered into subsidiary ledgers as received.

Cause: Controls were not in place over the collection process.

Effect: Conditions could exist whereby collections by the Town were not deposited or were not recorded properly.

Recommendation: We recommend appropriate town personnel review and approve daily work, subsidiary records, and adjustments. We also recommend that deposits be prepared by those accepting payments, be made daily, and be appropriately entered into subsidiary software when received.

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration has implemented controls over the collections process, including a supervisory review of all daily work, subsidiary records, and adjustments. Deposits are being made daily and entered into subsidiary software when received.

2018-003 Material Weakness – Accounting Records

Condition: The Town's accounting records, including budgetary financial statements, were not maintained on a current basis throughout the year. Bank reconciliations were also not done in a timely manner throughout the year.

Criteria: Controls should be in place to ensure that accounting records, including budgetary financial statements, are maintained on a current basis throughout the year. In addition, bank reconciliations should be performed for all bank accounts on a monthly basis.

Cause: The Town changed its accounting software during the year. This contributed to the general ledgers not being posted properly or timely, since significant activity was no longer interfaced between the subsidiary ledgers and general ledgers.

Effect: There was not an efficient and systematic monitoring of the Town's financial position throughout the year.

Recommendation: We recommend that the Town's accounting records, including budgetary financial statements, be maintained on a current basis throughout the year, and that Town bank accounts be reconciled on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration has contracted with a CPA firm to assist in maintaining the Town's accounting records, reconciling bank accounts, and preparation of budgetary financial statements.

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Current Year Audit Findings
June 30, 2018
(Continued)

2018-004 Significant Deficiency – Police Department Collections

Condition: Police fines are collected by the police department and not at Town hall. The employee who maintains subsidiary records for the police department fines is sometimes responsible for collecting those payments. Subsidiary records are not reviewed and reconciled to collections by Town accounting personnel.

Criteria: Controls should be in place to properly segregate the duties of collecting police fines and maintaining subsidiary records for those fines.

Cause: Collections on police fines are decentralized, in that collections are done at the police department and not at Town hall. There is not an adequate segregation of duties over police fines collection process.

Effect: All police fines that are due to the Town may not be collected or may not be recorded properly.

Recommendation: We recommend that the Town segregate the duties of those maintaining police fines subsidiary records and those collecting payments. We also recommend that Town accounting personnel review and reconcile the subsidiary records to actual collections / deposits on a current basis.

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration is in the process of establishing appropriate segregation of duties over the collection of police department fines and updating of subsidiary records. Newly established controls will include a review of collections to subsidiary records by an individual not involved in the collection process.

2018-005 Finding – Questioned Costs

Finding: During our testing, we noted several transactions totaling \$23,371, for which no vendor invoices could be located by town personnel. Details are as follows:

- One disbursement for aviation fuel totaling \$ 4,503.
- One disbursement for heating- air conditioning unit totaling \$12,500.
- Two charges on Town credit cards to purchase pre-paid Visa cards totaling \$527.
- Forty (40) miscellaneous charges on Town credit cards/charge accounts totaling \$5,841.

Criteria: Payments should be made only from approved vendor invoices. Documentation should be maintained to support all payments / purchases.

Cause: Controls were not in place for ensuring that vendor invoices were obtained or properly retained to support these three payments.

Effect / Questioned Costs: Without proper controls in place, unauthorized disbursements could be made. Invoices could not be provided to support payments totaling \$23,371.

Recommendation: We recommend payments be made only from approved vendor invoices, and that all vendor invoices be properly maintained to support all purchases/payments made.

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Current Year Audit Findings
June 30, 2018
(Continued)

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration has already established controls for ensuring that payments are made only from approved vendor invoices, and that all vendor invoices are properly maintained to support all purchases/payments made. With regards to the transactions noted above, management reviewed the disbursements and determined them to be appropriate, with the exception of the purchase of the prepaid Visa cards.

2018-006 Material Weakness – Payroll Taxes

Condition: Several federal payroll tax deposits do not appear to have been made by the required due dates during the year, and payroll tax reports do not appear to have been filed timely during the year. In addition, payroll liabilities were not properly recorded and tracked in the Town's general ledgers. Amounts recorded in the general ledgers were not reconciled to subsequent payments.

Criteria: Controls should be in place to provide for payment of federal and state payroll tax deposits and for the filing of all payroll tax reports by the required due dates. The Town's accounting records should be properly posted to provide for an accurate accounting of all payroll taxes withheld and paid.

Cause: Controls were not in place to ensure payments for federal payroll tax deposits and reports were submitted by the required due dates.

Effect: The Town could incur penalties for late payment of payroll taxes.

Recommendation: We recommend the Town develop appropriate controls to ensure all payroll tax deposits are made by the required due dates, that all payroll tax reports are filed timely, and that the Town's general ledgers are properly posted with regards to payroll taxes.

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration has contracted with a CPA firm to assist with payroll tax payments and reporting, including proper posting of payroll liabilities and associated payments to the Town's general ledgers.

2018-007 Finding – Late Submission of Audit

Finding: The audit for the year ended June 30, 2018, was not submitted timely in accordance with state law.

Criteria: State law requires audit reports to be submitted no later than six months after the Town's fiscal year end.

Cause: The Town's accounting records were not complete and ready for audit to allow for the audit to be completed timely.

Effect: The audit was not submitted timely in accordance with state law.

Recommendation: We recommend that the Town establish appropriate controls for ensuring the audit will be submitted timely in the future.

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration has established appropriate controls for ensuring that the audit will be submitted timely in the future.

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Current Year Audit Findings
June 30, 2018
(Continued)

2018-008 Finding - Budget

Condition: Actual expenditures and other financing uses for the Sales Tax Fund exceeded budgeted expenditures by more than 5%.

Criteria: The Local Government Budget Act requires the annual budgets be amended when actual plus projected expenditures exceed budgeted amounts by more than 5%.

Cause: The Town's accounting records were not maintained on a current basis during the year. Therefore, a proper monitoring of budget to actual results could not be performed on a timely basis throughout the year.

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

Recommendation: We recommend a proper monitoring of budget to actual comparisons throughout the year and that budgets be appropriately amended when actual plus projected expenditures and other financing uses exceed budgeted amounts by more than 5%.

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration has contracted with a CPA firm to assist with preparation of budgetary financial statements. The Town will monitor budget to actual comparisons throughout the year and will appropriately amend the budget when actual plus projected expenditures and other financing uses exceed budgeted amounts by more than 5%.

2018-009 Significant Deficiency - Travel

Condition: During our audit, we noted three travel payments for which there was inadequate supporting documentation. The business purpose of the trips was not noted. In addition, per diem was paid, although the Town's policies are not specific with regards to the allowability of per diem payments for travel.

Criteria: Proper supporting documentation should be retained for all travel payments, including the business purpose of such travel.

Cause: Proper supporting documentation was not retained to support the travel payments.

Effect: Without proper supporting documentation, unallowable payments could be made for travel.

Recommendation: We recommend that all travel payments be properly approved and documented, including documentation of the business purpose of such travel. We further recommend that the Town clarify their policies with regards to payment of per diem for travel.

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration will implement controls over travel to ensure that all travel payments are properly approved and documented, including documentation of the business purpose of such travel. The Town will also review its policies with regards to payment of per diem and/or reimbursements for travel.

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Current Year Audit Findings
June 30, 2018
(Continued)

2018-010 Significant Deficiency – Credit Cards

Condition: During our audit, we noted the following with regards to credit cards:

- Two payments were made to purchase prepaid Visa gift cards totaling \$527.
- There was not always a documented approval noted on credit cards statements or receipts.
- Purchase orders were not always completed and receipts were not always retained to support charges on credit card statements.
- The business purpose was not always clearly documented for some charges.

Criteria: All charges on Town credit cards should be properly approved and all receipts should be retained to support such charges. The business purpose should be clearly documented for all charges.

Cause: Proper controls were not in place over use of agency credit cards. Controls were not in place to ensure all charges were properly approved and properly documented with original vendor invoices/receipts and documentation of business purpose.

Effect: Unauthorized charges could be made on the Town's credit cards. Two specific unauthorized charges were noted totaling \$527.

Recommendation: We recommend that the Town establish proper controls over use of the Town's credit cards, to include a proper review and approval, as well as documentation of original vendor invoice/receipt and business purpose.

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration will establish proper controls over use of the Town's credit cards, to include a proper review and approval, as well as documentation of original vendor invoice/receipt and business purpose.

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Aldermen
Town of Vivian
Vivian, Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Vivian, and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Town of Vivian's (Town) management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts***, including receiving, recording, and preparing deposits
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statutes 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 Town provided written policies and procedures addressing all of the above, except as noted below.

Exception: The Town's policies and procedures did not include:

- A policy to ensure compliance with the public bid law and documentation required to be maintained for all bids and price quotes.
- A policy on management's actions to determine the completeness of all collections for each type of revenue.
- An Ethics policy, including prohibitions as defined in Louisiana Revised Statute 42:1111-1121, actions to be taken if an ethics violation takes place, a system to monitor possible ethics violations, and requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethic policy.
- A debt service policy, including debt issuance approval, EMMA reporting requirements, debt reserve requirements, and debt service requirements.

Management's Response: The Town's new administration is working to revise the Town's policies to include all applicable areas noted above.

Board (or Finance Committee, if applicable)

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - 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.
The council met with a quorum at least monthly.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Exception: The minutes of the Board of Aldermen of the Town did not reference a review of monthly budget-to-actual comparisons.

Management's Response: The Town's new administration will include a reference of a review of monthly financial reports, including budget-to-actual comparisons, in the future.

- 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.

The general fund did not have a negative ending unrestricted fund balance.

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:

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

- 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);

Exception: Bank reconciliations were not prepared on a monthly basis for any of the accounts selected for testing. The Town hired an outside CPA to reconcile the accounts after the fiscal year end.

Management's Response: The Town's new administration has contracted with a CPA firm to implement appropriate controls to ensure that bank reconciliations are prepared timely in the future.

- 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

Exception: There was no evidence that a member of management reviewed and approved the bank reconciliations for the accounts selected for testing. Bank reconciliations were not prepared on a monthly basis for any of the accounts selected for testing. The Town hired an outside CPA to reconcile the accounts after the fiscal year end.

Management's Response: The Town's new administration will implement those appropriate controls to ensure that bank reconciliations are approved by a member of management in the future.

- 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.

Exception: There was no evidence that a member of management researched reconciling items that were outstanding for more than 12 months from the closing date. bank reconciliations were not prepared on a monthly basis on any of the accounts selected for testing. The Town hired an outside CPA to reconcile the accounts after the fiscal year end.

Management's Response: The Town's new administration will implement appropriate controls for reviewing/reconciling items that are outstanding for more than 12 months from the closing date.

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).

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

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

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

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Each person responsible for collecting cash do not share cash drawers, was not responsible for recording the related transaction, and was not responsible for reconciling the related bank account.

Exceptions: Three (3) of the individuals responsible for collecting cash are sometimes the same individuals responsible for depositing the cash in the bank, and there is no other review/reconciliation of collection documentation.

Management's Response: The Town's new administration will implement appropriate controls over the collection process, to include appropriate segregation of duties and review and reconciliation of collection documentation by an individual not involved in the collection process.

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

All employees are covered by a blanket insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

The deposits selected for testing contained sequentially pre-numbered receipts, receipts were traced to the deposit slip, the deposit slip total was located on the bank statement, the deposit was made within one business day, and the actual deposit was traced to the general ledger, except as noted below.

Exceptions: Two deposits selected for testing were deposited 3 days after the receipt day.

Management's Response: The Town's new administration will implement appropriate controls for ensuring that deposits are made daily.

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).
Management provided the requested information, along with management's representation that the listing is complete.
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Segregation of duties exists as noted above, except as noted below.

Exception: The employees responsible for processing payments received the signed checks for mailing.

Management's Response: The Town's new administration will consider having an individual who is not involved in the payment process receive and mail 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:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Management provided the requested information, along with management's representation that the listing is complete. For the transactions selected for testing, the disbursement matched the related original invoice and included evidence of segregation of duties.

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.

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

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Exception: There was no evidence of approval on the 5 statements selected for testing.

Management's Response: The Town's new administration will implement appropriate controls for ensuring that all credit card statements and supporting documentation are reviewed and approved, in writing, by someone other than the authorized card holder.

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

Three of the five statements selected for testing contained finance charges totaling \$82.80.

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).

Transactions selected for testing were supported by an original itemized receipt that identified precisely what was purchased, contained written documentation of the business purpose, and documentation of the individuals participating in meals, as applicable, except as noted below:

Exception: Of the statements selected for testing, there were nine (9) missing receipts totaling \$1,883.30, and there was no business purpose documented for those charges.

Management's Response: The Town's new administration has established controls over credit cards, which include retaining detailed receipts/supporting documentation for all charges and documentation of business purpose for each charge.

Travel and Expense Reimbursement

Testing not required for this area for the fiscal period July 1, 2017 through June 30, 2018, due to no exceptions being noted in prior year.

Contracts

Testing not required for this area for the fiscal period July 1, 2017 through June 30, 2018, due to no exceptions being noted in prior year.

Payroll and Personnel

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

Management provided the requested information, along with management's representation that the listing is complete. For the 5 employees selected for testing, the paid salaries agreed with the authorized salaries/pay rates in the personnel files, except as noted below:

Exception: Three of the five employees selected for testing did not have an approval for their pay rate in their personnel file.

Management's Response: The Town's new administration will ensure all employee pay rates are approved in writing and retained in each employees' personnel file.

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

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

For the transactions selected for testing, the daily attendance and leave were documented, except as noted below:

Exception: One of the five employees selected for testing did not have a timecard for the pay period selected.

Management's Response: The Town's new administration has established controls to ensure that daily attendance and leave are documented for all employees.

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

Transactions selected for testing contained evidence that supervisors approved the attendance and leave of the selected employees, except as noted below:

Exception: Two of the five transactions selected for testing did not have evidence that supervisors approved the attendance and leave for the employee selected.

Management's Response: The Town's new administration has established controls to ensure that each employee's daily attendance and leave is approved by a supervisor.

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

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

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

Exception: The two transactions selected for testing did not have approved pay rates documented in their personnel file.

Management's Response: The Town's new administration will establish controls to ensure that daily attendance and leave are documented for all employees, to include documentation for any termination payments made.

- 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.

Exception: Several federal payroll tax deposits do not appear to have been made by the required due dates during the year.

Management's Response: The Town's new administration has contracted with a CPA firm for assistance in filing all payroll tax reports.

Ethics (excluding nonprofits)

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Exception: For the five employees selected for testing, the Town could not locate documentation demonstrating each employee completed one hour of ethics training during the fiscal period. Also, the Town could not locate documentation that each employee selected for testing had read the Town's ethics policy during the fiscal period.

Management's Response: The Town's new administration has implemented controls ensuring that all Town employees complete the required ethics training and retain documentation demonstrating that such training was obtained. In addition, the Town will implement controls requiring that all Town employees read the Town's ethic's policy on an annual basis.

Debt Service (excluding nonprofits)

Testing not required for this area for the fiscal period July 1, 2017 through June 30, 2018, due to no exceptions being noted in prior year.

Other

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

The Town provided information on misappropriation of public funds during the fiscal period. The Town provided documentation that they reported the misappropriation to the legislative auditor and district attorney of the parish.

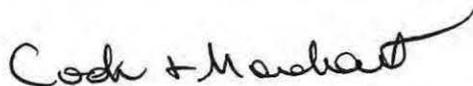
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exception: The Town does not have posted on its website the notice required by R.S. 24:523.1.

Management's Response: The Town is in the process of updating its website and will ensure that all required notices are posted.

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

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



Cook & Morehart
Certified Public Accountants
February 22, 2019