

TOWN OF RINGGOLD

ANNUAL FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017 AND FOR THE TWO YEARS THEN ENDED

TOWN OF RINGGOLD
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE TWO YEARS ENDED DECEMBER 31, 2017
WITH SUPPLEMENTAL INFORMATION SCHEDULES

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MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER, 2017

The management of the Town of Ringgold, Louisiana offers readers of the Town of Ringgold, Louisiana's (Town) financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2017. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The Town has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34. This reporting model changes the presentation of financial data, and also the manner in which the information is recorded. We encourage readers to consider the information presented here in conjunction with additional information presented throughout this report.

Financial Highlights

The following exhibits some of the more important highlights from the government-wide financial statements for the year ended December 31, 2017.

1. The Town's total net position from governmental activities decreased \$73,021 from the beginning of the fiscal year as a result of operations during the year;
2. During the year ended December 31, 2017, the Town's total expenses were \$840,952 greater than the \$318,490 recognized as revenue from fees, fines and charges for services, made up of mostly water and sewer charges. However, if revenues, such as taxes, licenses and State grants are considered, the Town's expenses exceeded revenue in the amount of \$260,733;
3. The cost of operating programs of the Town was \$1,159,442, which represents an increase in costs of operations over the prior year of \$155,948 or a 11.86% decrease;
4. The total revenues of the Town were \$898,709, which represents an increase in revenues from the prior year of \$137,728 or a 18.10% increase;
5. The general fund reported unrestricted fund balance of \$98,085;

Overview of the Financial Statements

The annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two (2) kinds of statements that present different views of the Town:

1. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
2. The remaining statements are fund financial statements that focus on individual parts of the Town's governmental operations, reporting the Town's operations in more detail than the government-wide statements,
3. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

Financial reporting at this level uses a perspective similar to the private sector using the economic resources measurement focus and the accrual basis of accounting.

The first of these government-wide statements is the Statement of Net Position. This government-wide statement of position presents information that includes all of the Town's assets and liabilities, with the difference reported as net position. An increase or decrease in net position may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall health of the Town would extend to other non-financial factors, such as diversification of the taxpayer base, in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the Town's net position changed during the year. All current year revenues and expenses are included regardless of when they are received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both of the above financial statements have separate columns for the two (2) different types of Town activities as follows:

Governmental Activities - The government-wide financial statements present governmental activities of the Town which are principally supported by taxes and intergovernmental revenues (grants). Most services normally associated with a town fall in this category, including general government, public safety, streets and parks and recreations

Business-Type Activities - The government-wide financial statements present business-type activities that are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activity of the Town consists of the provision of water and sewer services to the citizens.

The government-wide financial statements are presented on pages 4-6.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds, rather than the Town as a whole.

The Town uses two (2) fund categories, governmental funds and proprietary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental Funds - The services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources at the end of the year. Such information may be useful in evaluating the Town's near-term financing requirements. This approach is known as using the flow of financial resources measurement focus and the modified accrual basis of accounting. These governmental fund financial statements provide a detailed short-term view of the Town's finances and assists in determining whether there will be adequate resources available to meet the current needs of the Town.

Since focus of the governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Users may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented immediately following each governmental fund financial statement.

The Town has two (2) governmental funds, of which both are major funds and are presented in separate columns. The governmental funds are as follows:

Major Funds
 General Fund
 Special Revenue Fund - Sales Tax Fund

The fund financial statements are presented on pages 7 through 11.

Proprietary Fund - The proprietary fund is used to show activities that operate more like those of commercial enterprises. Since this fund charges fees for services to outside customers, including local governments, it is known as an enterprise fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for the business-type activities and the proprietary fund financial statements.

The Town has one enterprise fund (Water and Sewer Fund), which is considered a major proprietary fund for presentation purposes.

The proprietary fund financial statements are presented on pages 12 through 16.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 17 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget presentation. Budgetary comparison statements are included as "required supplementary information" for the General Fund and the Sales Tax Fund. These statements demonstrate compliance with the Town's adopted budgets and can be found on pages 41 and 42 in this report.

Financial Analysis of Governmental-Wide Activities

Net Position

The Town's combined net position (governmental and business-type activities) decreased during 2017 by \$260,733 or 20% from the \$1,303,323 at December 31, 2016, as shown in the following table:

	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	1,367,904	1,425,763
Capital assets (net)	<u>2,522,005</u>	<u>2,675,716</u>
Total assets	3,889,909	4,101,479
Deferred outflows of resources	260,489	391,483
Liabilities		
Current liabilities	1,215,389	1,189,600
Long-term liabilities	<u>1,836,890</u>	<u>1,959,095</u>
Total liabilities	3,052,279	3,148,695
Deferred inflows of resources	55,529	40,944
Net position		
Net investment in capital assets	1,688,184	1,795,869
Restricted	168,656	240,662
Unrestricted	<u>(814,250)</u>	<u>(733,208)</u>
Total net position	<u>1,042,590</u>	<u>1,303,323</u>

Changes in Net Position

The following condensed government-wide statement of activity illustrates the major changes in operations for the Town as compared to 2016:

	<u>2017</u>	<u>2016</u>
Revenue		
Governmental	578,207	388,141
Business-type	<u>320,502</u>	<u>373,140</u>
Total revenue	898,709	761,281
Expenses		
Governmental	651,228	754,896
Business-type	<u>508,214</u>	<u>560,494</u>
Total expenses	<u>1,159,442</u>	<u>1,315,390</u>
(Decrease) in net position	<u>(260,733)</u>	<u>(554,109)</u>

Financial Analysis of Individual Funds

As noted above, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the Town's governmental fund is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. Unrestricted fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

At December 31, 2017, the Town's governmental fund, the general fund, reported an ending fund balance of \$98,085 a decrease of \$9,734 compared to the calendar year 2016. The general fund is the chief operating fund of the Town.

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary fund (Water and Sewer Fund) reported operating expenses of \$508,214, which was \$254,757 more than operating revenues of \$253,457, for the year ended December 31, 2017. This was a decrease in excess of expenses over operating revenue of \$46,329 compared to 2016. The proprietary fund reported a decrease of \$187,712 in net position in the calendar year 2017 compared to a decrease of \$187,354 in the calendar year 2016.

Budgetary Highlights

Formal budgetary integration is employed as a management control device during the calendar year. The budget policy of the Town complies with state law, as amended and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-R.S. 39:1302 et seq).

Capital Asset Administration

The Town's investment in capital assets for its governmental and business-type activities at December 31, 2017 totaled \$5,921,572 less accumulated depreciation of \$3,399,567, leaving a \$2,522,005 balance in net capital assets. The investment in capital assets consists of land, buildings, equipment, and water and sewer improvements. The total increase in the Town's investment in capital assets for the year ended December 31, 2017 totaled \$31,533.

Debt Administration

No new bond issuances were originated during the year. The Town has made its regularly scheduled payments on all of its long-term debt. During 2017, \$45,102 in principal payments were made. Additional information on debt can be found in Note 10 on pages 28 and 29 of this report.

Contacting the Town's Financial Management

The financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report, contact the Town Clerk, P.O. Box 565, Ringgold, LA 71068.

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

December 13, 2019

To the Honorable Mayor and the
Members of the Town Council
Town of Ringgold, Louisiana

Independent Auditor's Report

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 Ringgold, as of and for the two years ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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.

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages i-v, *Budgetary Comparison Information* on pages 41-42, Schedule of Town's proportionate share of net pension liability on Page 43, and Schedule of Town's required contributions on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information, on pages 45-46, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary 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 December 13, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

HEARD, MELROY & VESTAL, L.L.C.

Shreveport, Louisiana

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

TOWN OF RINGGOLD
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,464	\$ 11,045	\$ 22,509
Investments, at fair value	1,684	13,868	15,552
Receivables	99,821	54,610	154,431
Due from other funds	1,006,756	-	1,006,756
Noncurrent assets:			
Restricted assets	-	168,656	168,656
Capital assets, net of depreciation	166,938	2,355,067	2,522,005
Total assets	<u>1,286,663</u>	<u>2,603,246</u>	<u>3,889,909</u>
Deferred pension outflow	182,195	78,294	260,489
Total assets and deferred outflows	<u>\$ 1,468,858</u>	<u>\$ 2,681,540</u>	<u>\$ 4,150,398</u>
LIABILITIES			
Current liabilities:			
Accounts payable	38,099	48,627	86,726
Due to other funds	413,008	593,748	1,006,756
Bonds and interest payable	-	61,034	61,034
Deposits	-	60,873	60,873
Total current liabilities	<u>451,107</u>	<u>764,282</u>	<u>1,215,389</u>
Noncurrent liabilities:			
Net pension liability	780,653	283,450	1,064,103
Bonds payable	-	772,787	772,787
Total noncurrent liabilities	<u>780,653</u>	<u>1,056,237</u>	<u>1,836,890</u>
Total liabilities	<u>1,231,760</u>	<u>1,820,519</u>	<u>3,052,279</u>
Deferred pension inflow	46,288	9,241	55,529
Total liabilities and deferred inflows	<u>1,278,048</u>	<u>1,829,760</u>	<u>3,107,808</u>
NET POSITION			
Net investment in capital assets	166,938	1,521,246	1,688,184
Restricted	-	168,656	168,656
Unrestricted	23,872	(838,122)	(814,250)
Total net position	<u>\$ 190,810</u>	<u>\$ 851,780</u>	<u>\$ 1,042,590</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF RINGGOLD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 265,586	\$ -	\$ -	\$ -	\$ (265,586)	\$ -	\$ (265,586)
Public safety	369,822	65,033	-	-	(304,789)	-	(304,789)
Depreciation expense	10,871	-	-	-	(10,871)	-	(10,871)
Cultural and recreation	4,949	-	-	-	(4,949)	-	(4,949)
Total governmental activities	<u>651,228</u>	<u>65,033</u>	<u>-</u>	<u>-</u>	<u>(586,195)</u>	<u>-</u>	<u>(586,195)</u>
Business-type activities:							
Water system	508,214	253,457	-	-	-	(254,757)	(254,757)
Total business-type activities	<u>508,214</u>	<u>253,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(254,757)</u>	<u>(254,757)</u>
Total primary government	<u>1,159,442</u>	<u>318,490</u>	<u>-</u>	<u>-</u>	<u>(586,195)</u>	<u>(254,757)</u>	<u>(840,952)</u>
General revenues:							
Taxes					475,289	44,896	520,185
Licenses and permits					51,112	-	51,112
Intergovernmental					1,250	-	1,250
Use of money and property					48,175	-	48,175
Investment earnings					-	4,148	4,148
Other					2,492	(47,143)	(44,651)
Transfers in (out)					(65,144)	65,144	-
Total general revenues and transfers					<u>513,174</u>	<u>67,045</u>	<u>580,219</u>
Change in net position					<u>(73,021)</u>	<u>(187,712)</u>	<u>(260,733)</u>
Net position - beginning					<u>263,831</u>	<u>1,039,492</u>	<u>1,303,323</u>
Net position - ending					<u>\$ 190,810</u>	<u>\$ 851,780</u>	<u>\$ 1,042,590</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF RINGGOLD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
				Governmental Activities	Business-type Activities	Total
Primary Government:						
Governmental activities:						
General government	\$ 324,643	\$ -	\$ -	\$ (324,643)	\$ -	\$ (324,643)
Public safety	410,992	53,122	-	(357,870)	-	(357,870)
Depreciation expense	10,871	-	-	(10,871)	-	(10,871)
Cultural and recreation	8,390	-	-	(8,390)	-	(8,390)
Total governmental activities	<u>754,896</u>	<u>53,122</u>	<u>-</u>	<u>(701,774)</u>	<u>-</u>	<u>(701,774)</u>
Business-type activities:						
Water system	560,494	259,408	-	-	(301,086)	(301,086)
Total business-type activities	<u>560,494</u>	<u>259,408</u>	<u>-</u>	<u>-</u>	<u>(301,086)</u>	<u>(301,086)</u>
Total primary government	<u>1,315,390</u>	<u>312,530</u>	<u>-</u>	<u>(701,774)</u>	<u>(301,086)</u>	<u>(1,002,860)</u>
General revenues:						
Taxes				391,362	41,148	432,510
Licenses and permits				50,483	-	50,483
Intergovernmental				1,190	-	1,190
Use of money and property				19,401	-	19,401
Investment earnings				-	217	217
Other				2,294	(57,344)	(55,050)
Transfers in (out)				(129,711)	129,711	-
Total general revenues and transfers				<u>335,019</u>	<u>113,732</u>	<u>448,751</u>
Change in net position				(366,755)	(187,354)	(554,109)
Net position - beginning				616,822	1,219,435	1,836,257
Prior period restatement				13,764	7,411	21,175
Net position - beginning, as restated				<u>630,586</u>	<u>1,226,846</u>	<u>1,857,432</u>
Net position - ending				<u>\$ 263,831</u>	<u>\$ 1,039,492</u>	<u>\$ 1,303,323</u>

The accompanying notes are an integral part of the financial statements.

Fund Financial Statements

Governmental Funds

TOWN OF RINGGOLD
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 5,792	\$ 5,672	\$ 11,464
Investments, at fair value	1,684	-	1,684
Receivables	35,964	63,857	99,821
Due from other funds	505,752	501,004	1,006,756
	<u>549,192</u>	<u>570,533</u>	<u>1,119,725</u>
Total assets	<u>\$ 549,192</u>	<u>\$ 570,533</u>	<u>\$ 1,119,725</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	38,099	-	38,099
Due to other funds	413,008	-	413,008
Total liabilities	<u>451,107</u>	<u>-</u>	<u>451,107</u>
Fund balances:			
Unrestricted:			
Assigned	-	570,533	570,533
Unassigned	98,085	-	98,085
Total fund balances	<u>98,085</u>	<u>570,533</u>	<u>668,618</u>
Total liabilities and fund balances	<u>\$ 549,192</u>	<u>\$ 570,533</u>	<u>\$ 1,119,725</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF RINGGOLD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Fund balances - total governmental funds		\$	668,618
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>			
Governmental capital assets			407,115
Less accumulated depreciation			(240,177)
			166,938
<p>Net pension liability:</p>			
Town's unfunded proportionate share of the unfunded liability in MERS amd MPERS			(780,653)
<p>Deferred outflows and inflows of resources are not available to pay current period expenditures and therefore are not reported in governmental funds</p>			
Deferred outflows of resources - Pension			182,195
Deferred inflows of resources - Pension			(46,288)
			135,907
Net position of governmental activities		\$	190,810

TOWN OF RINGGOLD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Revenues:			
Taxes			
Ad valorem	\$ 31,029	\$ -	\$ 31,029
Sales and use	-	367,526	367,526
Other taxes, penalties and interest	76,734	-	76,734
Licenses and permits	51,112	-	51,112
Intergovernmental			
State	1,250	-	1,250
Fines	65,033	-	65,033
Use of money and property	48,175	-	48,175
Miscellaneous	2,399	93	2,492
	<u>275,732</u>	<u>367,619</u>	<u>643,351</u>
Expenditures:			
General government	234,018	5,512	239,530
Public safety	330,455	-	330,455
Culture and recreation	4,949	-	4,949
Capital outlay	-	-	-
	<u>569,422</u>	<u>5,512</u>	<u>574,934</u>
Excess (deficiency) of revenue over expenditures	<u>(293,690)</u>	<u>362,107</u>	<u>68,417</u>
Other financing sources (uses):			
Operating transfers in	283,956	-	283,956
Operating transfers out	-	(349,100)	(349,100)
	<u>283,956</u>	<u>(349,100)</u>	<u>(65,144)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(9,734)	13,007	3,273
Fund balances, beginning of year	<u>107,819</u>	<u>557,526</u>	<u>665,345</u>
Fund balances, end of year	<u>\$ 98,085</u>	<u>\$ 570,533</u>	<u>\$ 668,618</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF RINGGOLD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Revenues:			
Taxes			
Ad valorem	\$ 28,079	\$ -	\$ 28,079
Sales and use	-	289,626	289,626
Other taxes, penalties and interest	73,657	-	73,657
Licenses and permits	50,483	-	50,483
Intergovernmental			
State	1,190	-	1,190
Fines	53,122	-	53,122
Use of money and property	19,401	-	19,401
Miscellaneous	2,027	267	2,294
	<hr/>	<hr/>	<hr/>
Total revenues	227,959	289,893	517,852
Expenditures:			
General government	299,042	4,868	303,910
Public safety	347,191	-	347,191
Culture and recreation	8,390	-	8,390
Capital outlay	14,760	-	14,760
	<hr/>	<hr/>	<hr/>
Total expenditures	669,383	4,868	674,251
Excess (deficiency) of revenue over expenditures	<hr/> (441,424)	<hr/> 285,025	<hr/> (156,399)
Other financing sources (uses):			
Operating transfers in	144,189	-	144,189
Operating transfers out	-	(273,900)	(273,900)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	144,189	(273,900)	(129,711)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<hr/> (297,235)	<hr/> 11,125	<hr/> (286,110)
Fund balances, beginning of year	<hr/> 405,054	<hr/> 546,401	<hr/> 951,455
Fund balances, end of year	<hr/> <u>\$ 107,819</u>	<hr/> <u>\$ 557,526</u>	<hr/> <u>\$ 665,345</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF RINGGOLD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds \$ 3,273

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ -	
Depreciation expense	<u>(10,871)</u>	<u>(10,871)</u>

The changes in other long-term assets and liabilities are reported in the statement of activities, but do not affect current financial resources of governmental funds. The changes are as follows:

Net pension liability and related deferred outflows and deferred inflows		<u>(65,423)</u>
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Change in net position of governmental activities		<u><u>\$ (73,021)</u></u>
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Proprietary Funds

**TOWN OF RINGGOLD
STATEMENT OF NET POSITION
PROPRIETARY FUND (UTILITY FUND)
DECEMBER 31, 2017**

ASSETS	<u>Total Water & Sewer</u>
Current assets:	
Cash and cash equivalents	\$ 11,045
Investments	13,868
Receivables	54,610
Total current assets	<u>79,523</u>
Restricted:	
Cash, cash equivalents & investments	168,656
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	<u>2,355,067</u>
Total noncurrent assets	<u>2,523,723</u>
Total assets	<u>2,603,246</u>
Deferred outflows of resources:	
Deferred pension outflow	<u>78,294</u>
Total assets and deferred outflows	<u>\$ 2,681,540</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 48,627
Due to other funds	593,748
Bonds and interest payable	61,034
Total current liabilities	<u>703,409</u>
Current liabilities payable from restricted assets:	
Customer deposits	<u>60,873</u>
Noncurrent Liabilities:	
Net pension liability	283,450
Bonds payable	783,513
Deferred bond discount (net)	(10,726)
Total noncurrent liabilities	<u>1,056,237</u>
Total liabilities	<u>1,820,519</u>
Deferred inflows of resources:	
Deferred pension inflow	<u>9,241</u>
Total liabilities and deferred inflows	<u>1,829,760</u>
NET POSITION	
Net investment in capital assets	1,521,246
Restricted	168,656
Unrestricted (deficit)	(838,122)
Total net position	<u>\$ 851,780</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF RINGGOLD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
UTILITY FUND
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017

	Water & Sewer
Operating Revenues:	
Water charges	175,403
Sewer charges	63,190
Penalties/service charges	7,312
Other services	7,552
Total operating revenues	253,457
Operating expenses:	
Personal services	179,146
Material and supplies	42,868
Insurance expenses	6,891
Repairs and maintenance	8,294
Other services and charges	96,641
Depreciation	174,374
Total operating expenses	508,214
Operating income (loss)	(254,757)
Nonoperating revenues (expenses):	
Ad valorem taxes	44,896
Transfers	65,144
Bond expense	(1,002)
Interest expense	(46,141)
Investment earnings	4,148
Total nonoperating revenues	67,045
Change in net position	(187,712)
Net position, beginning of year	1,039,492
Net position, end of year	851,780

TOWN OF RINGGOLD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
UTILITY FUND
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Water & Sewer
Operating Revenues:	
Water charges	161,608
Sewer charges	61,547
Penalties/service charges	4,572
Other services	31,681
Total operating revenues	259,408
Operating expenses:	
Personal services	221,428
Material and supplies	20,670
Insurance expenses	32,340
Repairs and maintenance	13,357
Other services and charges	108,816
Bad debt expense	136
Depreciation	163,747
Total operating expenses	560,494
Operating income (loss)	(301,086)
Nonoperating revenues (expenses):	
Ad valorem taxes	41,148
Transfers	129,711
Bond expense	(10,460)
Interest expense	(46,884)
Investment earnings	217
Total nonoperating revenues	113,732
Change in net position	(187,354)
Net position, beginning of year	1,219,435
Prior period restatement	7,411
Net position, beginning of year - restated	1,226,846
Net position, end of year	1,039,492

TOWN OF RINGGOLD
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Water & Sewer</u>
Cash flows from operating activities:	
Cash received from customers	235,957
Other operating cash receipts	24,381
Cash paid to suppliers	(49,729)
Cash paid to employees	(165,498)
Other operating cash payments	(96,641)
Net cash (used) by operating activities	<u>(51,530)</u>
Cash flows from noncapital financing activities	
Non-operating transfers (net)	65,144
Net increase in meter deposits	2,427
Net cash provided by noncapital financing activities	<u>67,571</u>
Cash flows from capital and related financing activities:	
Receipt of ad valorem taxes for water/sewer maintenance	44,896
Purchase of capital assets	(31,533)
Principal paid on capital debt	(45,102)
Interest paid on capital debt	(48,066)
Net cash (used) by capital and related financing activities	<u>(79,805)</u>
Cash flows from investing activities:	
Interest received	4,148
Investments purchased	(28,172)
Net cash (used) by investing activities	<u>(24,024)</u>
Net (decrease) in cash and cash equivalents	(87,788)
Cash and cash equivalents: beginning of year	<u>152,250</u>
Cash and cash equivalents: end of year	<u>\$ 64,462</u>
Reconciliation of operating income to net cash provided (used) by operations:	
Operating income (loss)	<u>\$ (254,757)</u>
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation expense	174,374
Increase in accounts receivable	(9,948)
Increase in accounts payable	8,324
Net change in pension related items	13,648
Increase in due to other funds	16,829
Total adjustments to operating income	<u>203,227</u>
Net cash (used) by operating activities	<u>\$ (51,530)</u>
Reconciliation of total cash and cash investments:	
Current assets - cash and cash investments	11,045
Restricted assets - cash and cash investments	53,417
Total cash and cash investments	<u>64,462</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF RINGGOLD
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Water & Sewer
Cash flows from operating activities:	
Cash received from customers	219,252
Other operating cash receipts	42,990
Cash paid to suppliers	(72,852)
Cash paid to employees	(211,804)
Other operating cash payments	(108,816)
Net cash (used) by operating activities	(131,230)
Cash flows from noncapital financing activities	
Non-operating transfers (net)	129,711
Net increase in meter deposits	2,606
Net cash provided by noncapital financing activities	132,317
Cash flows from capital and related financing activities:	
Receipt of ad valorem taxes for water/sewer maintenance	41,148
Purchase of capital assets	(18,013)
Principal paid on capital debt	(42,535)
Interest paid on capital debt	(50,122)
Net cash (used) by capital and related financing activities	(69,522)
Cash flows from investing activities:	
Interest received	217
Investments sold	57,108
Net cash provided by investing activities	57,325
Net (decrease) in cash and cash equivalents	(11,110)
Cash and cash equivalents: beginning of year	163,360
Cash and cash equivalents: end of year	\$ 152,250
Reconciliation of operating income to net cash provided (used) by operations:	
Operating income (loss)	\$ (301,086)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation expense	163,747
(Increase) in accounts receivable	(8,475)
(Decrease) in accounts payable	(6,349)
Net change in pension related items	9,624
Increase in due to other funds	11,309
Total adjustments to operating income	169,856
Net cash (used) by operating activities	\$ (131,230)
Reconciliation of total cash and cash investments:	
Current assets - cash and cash investments	21,382
Restricted assets - cash and cash investments	130,868
Total cash and cash investments	152,250

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

TOWN OF RINGGOLD

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR THEN ENDED DECEMBER 31, 2017

INTRODUCTION

The Town of Ringgold was incorporated under the provisions of the Lawrason Act (Louisiana Revised Statutes 33:321-463). The Town is located in the parish of Bienville in the northwest corner of the state of Louisiana. The Town operates under a mayor-town council form of government. Members of the board are all elected and serve a term of 4 years. The Town provides the following services as authorized by its charter: police and fire protection, water and sewerage, streets, and general administrative services.

GASB Statement No. 14, The Reporting Entity, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Government-Wide and Fund Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following governmental funds:

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

Special Revenue fund is used to account for the receipt and use of the Town's two percent (2%) sales and use tax levied by the Town of Ringgold that is legally restricted to expenditures for specific purposes.

The Town reports the following proprietary funds:

The Water and Sewer fund is used to account for the provision of water and sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The content and certain titles of the GWFS were changed upon the adoption by the Town in 2012 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The Town had deferred outflows and inflows of resources at December 31, 2017, related to pensions.

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

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The Town's cash and cash equivalents are considered to be demand deposits, interest-bearing demand deposits, and investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the Town are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the government-wide financial statement, receivables consist of all revenues earned at year end and not yet received. Major receivables for the governmental activities include franchise taxes and sales and use taxes. Business-type activities report customers' utilities service charges as its major receivables. Uncollectible amounts due for ad valorem taxes and customers' utility accounts receivable 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.

E. Restricted Assets

Under the terms of the various bond indentures on outstanding Sewer Revenue Bonds all income and revenues earned or derived from the operation of the utility system are pledged and dedicated to the retirement of said bonds, and are to be maintained and administered in the following order of priority and for the following express purposes:

1. The payment of all reasonable and necessary expenses of operating and maintaining the system.
2. Establishment and maintenance of "Sewer Revenue Bond and Interest Sinking Fund," where monthly deposits shall be made on or before the 20 day of each month of each year a sum equal to one-twelfth (1/12th) the interest falling due on the next interest payment date during the first year of the Bond. Thereafter, a sum equal to the total amount of principal and interest falling due on the next principal and interest date.

During the year ended December 31, 1997, per discussion with officials of District Office I of Rural Economic and Community Development, the Town will not be required to set aside monthly payments for the "Sewer Revenue Bond and Interest Sinking Fund." The bond is to be paid on a monthly basis, with the first principal and interest payment to be on January 14, 1996, and monthly thereafter.

3. There shall be set aside into "Revenue Bond Reserve Fund," a sum at least equal to five percent (5%) of the principal and interest payments required by paragraph (2) above, and shall continue until there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the Bond. The money is to be retained solely for the purpose of paying principal and interest on bonds payable from the Revenue Bond and Interest Sinking Fund as to which there would otherwise be default.
4. Funds shall be set aside into a "Revenue Bond Depreciation and Contingency Fund," monthly the sum of \$122 for the Sewer Bond. Money in the Depreciation and Contingency Fund shall be used to care for depreciation, extensions, additions, improvements, and replacements necessary to operate the system properly. Money shall also be used to pay the principal and interest on the bond for which there is not sufficient money in the Revenue Bond and Interest Sinking Fund or the Bond Reserve Fund and Interest Fund or the Bond Reserve Fund, but if so used, such money shall be replaced by the Issuer as soon as possible thereafter.

On September 1, 2001, the Water Revenue Bonds were refunded with the issuance of \$902,000 in Water Revenue Refunding Bonds. The reserves required under the refunded debt are no longer required to be funded under the new issue. Under the new bond issue, a Debt Service Reserve Fund was funded with the proceeds from the new issuance in the amount equal to the reserve fund requirement. The Reserve Fund shall be maintained with a trustee and used to receive proceeds of the bonds and to transfer to the Interest Account or Principal Account of the Debt Service Fund such amount necessary to remedy any deficiency therein. The Cost of Issuance Fund shall be used to pay the costs of issuing the Bonds. Amounts shall be deposited into

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

an Interest Account as necessary to pay interest on the Bonds. Amounts shall be deposited into a Principal Account as necessary to pay principal of the Bonds.

Restricted assets include cash and cash investments in the Proprietary Funds which are restricted to their use. These restrictions are principally related to requirements of bond issues and utility meter deposits. It is the Town's policy to use restricted assets before unrestricted assets for their intended purposes.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	10-40 years
Improvements other than buildings	10-33 years
Vehicles	5-15 years
Equipment	5-10 years

H. Compensated Absences

Employees are allowed to accrue ten days of sick leave each year. Employees may carry forward from the previous year any earned but unused sick leave up to a maximum of 10 days or 80 hours. The maximum sick leave an employee may possess at any one time is twenty days. Sick leave may be used only after it has been earned. No payments will be made for unused sick leave.

Vacation leave is granted to each employee who is on the active payroll on the employee's anniversary date, provided the employee has worked a minimum of 1,500 hours in the service year preceding his anniversary date. Earned vacation can be accrued by one year and must be used the following year or be lost. An employee who has accumulated one (1) or more years of service who voluntarily or involuntarily terminates his employment shall receive any earned vacation pay at the time of departure.

I. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fund Equity

The Town implemented GASB 54 in a prior year. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. When fund balance resources are available for a specific purpose in multiple classifications the Town would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds. There are no material reservations or designations for the year ended December 31, 2017.

K. Estimates

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

L. Risk Management

The Town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the Town maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2017.

M. Sales Tax

Proceeds of a 2% sales and use tax levied by the town are dedicated to the following purposes:

Revenues derived from 1% sales and use tax are to be deposited in a special fund and dedicated and used for the purposes of economic development of the town; opening, constructing, paving, resurfacing, improving and/or maintaining streets, alleys, sidewalks, bridges; acquiring, constructing, extending, improving renovation and/or maintaining street lighting facilities, waterworks, sewers and sewerage disposal works, public buildings, public parks and recreational facilities and purchasing and acquiring the necessary land, equipment and furnishings for the foregoing public buildings and facilities, the title to which shall be in the public or for anyone or more of said purpose.

Revenues derived from the remaining 1% sales and use taxes are to be dedicated and used as follows:

25% - for acquiring, constructing, improving, operating and/or maintaining sewerage collection lines, including related equipment and facilities, for the town; provided, however, that once the sewerage collection lines have been constructed which will permit all residences within the town to be connected with such collection lines, then said 25% is to be used for acquiring, constructing, improving, operating and/or maintaining sewerage collection lines and disposal works, including all related facilities and equipment for the town;

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

20% - for constructing, improving and/or maintaining public roads and drainage improvements within the town, including any equipment required in connection therewith and the operation of such equipment;

5% - for constructing, acquiring, improving, operating and/or maintaining lands, buildings, equipment and facilities for recreation purposes for the town, including the funding of youth recreational programs; and

50% - to be dedicated and used for any lawful corporate purpose of the Town.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION. The Town adopted budgets for the years ended December 31, 2017 and December 31, 2016 for the General fund and Special Revenue fund on a basis consistent with generally accepted accounting principles (GAAP). The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the December meeting, the Town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and expenses and the means of financing them. During the December meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year.

3. CASH AND CASH EQUIVALENTS

At December 31, 2017, the Town has cash and cash equivalents (book balances) totaling \$75,926 as follows:

Demand deposits	72,469
Interest-bearing demand deposits	<u>3,457</u>
Total	<u>75,926</u>

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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2017, the Town has \$92,079 in deposits (collected bank balances). These deposits are secured from risk by \$92,079 of federal deposit insurance and \$-0- of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

Even though any pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

4. INVESTMENTS

Certificates of Deposit – Investments include one certificate of deposit with a maturity of six months that has been included as investments on the basic financial statements. Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Town or its agent in the Town’s name
2. Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the Town’s name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town’s name

At fiscal year-end, the Town’s investment balances were as follows:

Type of investment	Category			Carrying Amount			Total Carrying Amount
				Fair Value	Amortized Cost	Cost	
Certificate of deposit	1	2	3				
	<u>13,868</u>	<u>-</u>	<u>-</u>	<u>13,868</u>	<u>-</u>	<u>-</u>	<u>13,868</u>
Total investments	<u>13,868</u>	<u>-</u>	<u>-</u>	<u>13,868</u>	<u>-</u>	<u>-</u>	<u>13,868</u>

LAMP – The Town has the following amounts invested with the Louisiana Asset Management Pool, Inc. (LAMP) as of December 31, 2017:

General Fund	-
Enterprise Fund	-
Sales Tax Fund	-
Total	<u>-</u>

Investments held at the Town include \$-0- in the LAMP, a local government investment pool. In accordance with GASB Cod Sec. 150.126, the investment in LAMP at the Town is not categorized in the three risk categories provided by GASB Cod Sec. 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP. Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP’s investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No.512, Act 701) enacted LSA-R.S. 33:19SS(A)(I)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in “Investment grade (A-1/P-1) commercial paper of domestic United States corporations.” Effective October 1, 2001, LAMP’s Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

4. INVESTMENTS (Continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

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

Hancock Bank Reserves - With the Issuance of Water Revenue Refunding bonds Series 2001, the Town was required to establish several funds to be held by a trustee. Amounts held by the trustee shall be invested by the trustee in eligible investments, which shall mature or be redeemable or be subject to withdrawal or to repurchase by another entity on a date or dates on or prior to the time when monies so invested shall be for expenditures. Investments purchased with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity of not greater than 5 years.

The Town had the following balances held with a trustee as of December 31, 2017:

Debt Reserve Fund	64,911
Interest Account	14,328
Principal Account	<u>36,000</u>
Total	<u>115,239</u>

Red River Valley Bidco, Inc. – On August 19, 2002, the Town purchased 100 shares of Preferred Series A stock in Red River Valley Bidco, Inc. for the amount of \$10,000. The investment was made to participate in funding Red River Valley Bidco, Inc., which is a for-profit entity formed as a financial assistance corporation which provides loan funds for business, industry and job creation over a 10-parish area of Northwest Louisiana. Red River Valley Bidco, Inc. supplements private lenders’ efforts by either participating with them on special financing projects or by direct loans to borrowers who cannot qualify under a private lender’s rule. The value of the Town’s investment in this stock may change over time due to its share of the venture’s net income or loss. During 2017, the Town received \$-0- in non-dividend distributions as a return of capital, resulting in a value of \$1,684 at December 31, 2017. As of December 31, 2017, it was estimated that there was no change in the fair value of the investment in Red River Valley Bidco, Inc. over the original investment.

5. RECEIVABLES

The receivables of \$154,431 at December 31, 2017, are as follows:

	General Fund	Special Revenue Funds	Water and Sewer Fund	Total
Taxes:				
Ad valorem	16,721	-	33,173	49,894
Sales and use	-	63,857	-	63,857
Other taxes, penalties, and interest	19,219	-	-	19,219
Accounts	-	-	21,418	21,418
Other	<u>24</u>	<u>-</u>	<u>19</u>	<u>43</u>
Total	<u>35,964</u>	<u>63,857</u>	<u>54,610</u>	<u>154,431</u>

5. RECEIVABLES (Continued)

All receivables are considered fully collectible and, therefore, no allowance for uncollectible amounts is provided. If amounts become uncollectible, they are charged to operations when that determination is made.

6. RESTRICTED ASSETS

Restricted assets of business-type activities were applicable to the following at December 31, 2017:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Bond-principal	36,000	-	36,000
Bond and interest sinking fund	14,328	-	14,328
Bond reserve fund	64,911	871	65,782
Bond depreciation & contingency	<u>634</u>	<u>927</u>	<u>1,561</u>
Total for revenue bonds	<u>115,873</u>	<u>1,798</u>	117,671
Meter deposits-cash			50,985
Meter deposits-investment			-
Total			<u>168,656</u>

7. AD VALOREM TAXES

For the year ended December 31, 2017, taxes of \$75,925 were levied on property with assessed valuations totaling \$4,516,610 and were dedicated as follows:

General corporate purposes	6.870 mills
10-year water maintenance tax	4.970 mills
10-year sewer maintenance tax	4.970 mills

The following are the principal taxpayers and related property tax revenue for the Town:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad valorem Tax Revenue for Town</u>
Ringgold Property Company	Real Estate	464,330	10.28%	7,805
Entergy Louisiana	Energy	<u>221,480</u>	<u>4.90%</u>	<u>3,723</u>
Total		<u>685,810</u>	<u>15.18%</u>	<u>11,528</u>

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 Town bills and collects its own property taxes using the assessed value determined by the Bienville parish tax assessor.

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2017 is as follows:

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

	<u>Due From</u>	<u>Due To</u>
General fund	441,915	369,129
Payroll fund	63,837	43,879
Sales tax	501,004	-
Water and sewer fund	<u>-</u>	<u>593,748</u>
Total	<u>1,006,756</u>	<u>1,006,756</u>

9. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the period ended December 31, 2017 (beginning January 1, 2016), for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	<u>29,913</u>	<u>-</u>	<u>-</u>	<u>29,913</u>
Total capital assets, not being depreciated	<u>29,913</u>	<u>-</u>	<u>-</u>	<u>29,913</u>
Capital assets being depreciated:				
Buildings and improvements	171,359	-	-	171,359
Vehicles	126,001	-	-	126,001
Machinery and equipment	<u>79,842</u>	<u>-</u>	<u>-</u>	<u>79,842</u>
Total capital assets being depreciated	377,202	-	-	377,202
Less-accumulated depreciation	<u>218,435</u>	<u>21,742</u>	<u>-</u>	<u>240,177</u>
Total capital assets being depreciated, net	<u>158,767</u>	<u>(21,742)</u>	<u>-</u>	<u>137,025</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	<u>1,926</u>	<u>-</u>	<u>-</u>	<u>1,926</u>
Total capital assets, not being depreciated	<u>1,926</u>	<u>-</u>	<u>-</u>	<u>1,926</u>
Capital assets being depreciated:				
Improvements other than buildings	5,090,722	49,546	-	5,140,268
Vehicles	77,107	-	-	77,107
Machinery and equipment	<u>295,156</u>	<u>-</u>	<u>-</u>	<u>295,156</u>
Total capital assets being depreciated	5,462,985	49,546	-	5,512,531
Less-accumulated depreciation	<u>2,821,269</u>	<u>338,121</u>	<u>-</u>	<u>3,159,390</u>
Total capital assets being depreciated, net	<u>2,641,716</u>	<u>(288,575)</u>	<u>-</u>	<u>2,353,141</u>

9. CAPITAL ASSETS (Continued)

Depreciation expense of \$7,524 and \$14,218 for the year ended December 31, 2017, was charged to general government and public safety, respectively.

10. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended December 31, 2017:

	Water Revenue Refunding Bonds	Sewer Revenue Bonds	Total
Long-term obligations at 1/1/2016	587,000	331,848	918,848
Additions	-	-	-
Deductions	<u>66,000</u>	<u>21,638</u>	<u>87,638</u>
Long-term obligations at 12/31/2017	<u><u>521,000</u></u>	<u><u>310,210</u></u>	<u><u>831,210</u></u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long term obligations as of December 31, 2017:

	Water Revenue Refunding Bonds	Sewer Revenue Bonds	Total
Current portion	36,000	11,697	47,697
Long-term portion	<u>485,000</u>	<u>298,513</u>	<u>783,513</u>
Total	521,000	310,210	831,210
Less-unamortized bond discount	<u>(10,726)</u>	-	<u>(10,726)</u>
Long-term obligations	<u><u>510,274</u></u>	<u><u>310,210</u></u>	<u><u>820,484</u></u>

The bonds payable at December 31, 2017, are comprised of the following individual issues:

	Principal Outstanding	Interest to Maturity
\$902,000 Water Revenue Refunding Bonds, Series 2001 bearing interest at 3.375% to 5.500% due in semiannual installments through January 1, 2028.	521,000	172,452
\$459,000 Sewer Revenue Bonds, dated 12/14/94, bearing interest at 5.25% due in monthly installments of \$2,309 through 12/24/34.	<u>310,210</u>	<u>158,584</u>
Total	<u><u>831,210</u></u>	<u><u>331,036</u></u>

The annual requirements to amortize all debt outstanding at December 31, 2017, including interest of \$1,162,246 are as follows:

10. LONG-TERM OBLIGATIONS (Continued)

<u>Year Ending December 31,</u>	<u>Water Revenue Refunding Principal</u>	<u>Sewer Revenue Principal</u>	<u>Interest</u>	<u>Total</u>
2018	36,000	11,697	43,673	91,370
2019	38,000	12,326	41,009	91,335
2020	40,000	12,989	38,201	91,190
2021	42,000	13,688	35,248	90,936
2022	44,000	14,424	32,146	90,570
2023-2027	261,000	84,624	107,829	453,453
2028-2032	60,000	109,963	30,213	200,176
2033-2034	-	50,499	2,717	53,216
Total	<u>521,000</u>	<u>310,210</u>	<u>331,036</u>	<u>1,162,246</u>

11. RETIREMENT

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

1. PENSION AND RETIREMENT PLANS

Effective December 31, 2015, the Town implemented Governmental Accounting Standards Board Statement No. 68, *Accounting for Financial Reporting and Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68*. These statements required the Town to recognize its proportionate share of the net pension liability for the four defined benefit plans in which its employees participate.

Cost-Sharing Multiple-Employer Retirement Systems

The Town participates in two state-administered cost-sharing multiple-employer retirement systems: Municipal Employees’ Retirement System (MERS) and Municipal Police Employees’ Retirement System (MPERS) of the State of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual, publicly available financial reports that include financial statements and required supplementary information for the systems. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. The Town of Ringgold implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. Additional disclosures with respect to GASB 68 to the Town’s participation in these systems are provided below. The reports for MERS and MPERS may be obtained at www.mersla.com and www.lampers.org, respectively.

Municipal Police Employees’ Retirement System

All full-time police department employees engaged in law enforcement are required to participate in the Municipal Police Employees’ Retirement System. The System is the administrator of a cost- sharing multiple-

11. RETIREMENT (Continued)

employer plan. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Membership Prior to January 1, 2013

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

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

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

Membership Commencing January 1, 2013

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

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

Cost of Living Adjustments

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

11. RETIREMENT (Continued)

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

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

Deferred Retirement Option Plan

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

Initial Benefit Option Plan

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

Contributions

Plan members are required by state statute to contribute 10% of their annual covered salary and the Town of Ringgold is required to contribute at an actuarially determined rate. The current rate for the year ended December 31, 2017 was 30.75% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Ringgold, Louisiana's contributions to the System, for the years ending December 31, 2017 and 2016 were \$66,366 and \$55,492, respectively.

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions during the measurement period of \$12,582 and \$13,076 are recognized as revenue and are excluded from pension expense for December 31, 2017 and 2016, respectively.

11. RETIREMENT (Continued)

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

At December 31, 2017, the Town reported a liability of \$575,396 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.065907% which was a decrease of 0.13619% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 and 2016, the Town recognized pension expense of \$101,627 and \$111,355, representing its proportionate share of the System's net expense, including amortization of deferred amounts.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,768	\$ 4,423
Changes in assumptions	40,943	-
Net difference between projected and actual earnings on pension plan investments	25,189	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,547	35,174
Employer contributions subsequent to the measurement date	<u>33,052</u>	<u>-</u>
Total	<u>\$ 125,499</u>	<u>\$ 39,597</u>

The Town reported a total of \$33,052 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2017 which will be recognized as a reduction in net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	33,419
2017	20,733
2018	12,200
2019	<u>(13,502)</u>
	<u>\$ 52,850</u>

11. RETIREMENT (Continued)

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.325%, net of investment expense
Expected Remaining Service lives	4 years
Inflation Rate	2.75%

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

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 8.19% for the year ended June 30, 2017.

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

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

11. RETIREMENT (Continued)

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

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System’s liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.325%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.325%) or one percentage point higher (8.325%) than the current rate:

	<u>Changes in Discount Rate</u>		
	1% Decrease <u>6.325%</u>	Current Discount Rate <u>7.325%</u>	1% Increase <u>8.325%</u>
Town’s proportionate share of the net pension liability	\$ 794,965	\$ 575,396	\$ 391,193

Municipal Employees’ Retirement System of Louisiana

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.

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.

The following is a description of the plan and its benefits and is provided for general information purposes only. The City is a contributing municipality of Plan A.

Eligibility Requirements:

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

11. RETIREMENT (Continued)

Retirement Benefits:

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

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Eligibility for Retirement for Plan A members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service

Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. 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 A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes.

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

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or 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.

11. RETIREMENT (Continued)

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

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

Plan members are required by state statute to contribute 9.5% of their annual covered salary and the Town of Ringgold is required to contribute at an actuarially determined rate. The current rate for the year ended December 31, 2017 was 24.75% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Ringgold, Louisiana's contributions to the System, for the year ending December 31, 2017 and 2016 were \$42,530 and \$45,939, respectively.

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 of \$7,190 and \$7,109 during the measurement period are recognized as revenue and are excluded from pension expense for December 31, 2017 and 2016, respectively.

11. RETIREMENT (Continued)

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

At December 31, 2017, the Town reported a liability of \$488,707 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the Town's proportion was 0.116820% which was a decrease of 0.0005% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 and 2016, the Town recognized pension expense of \$96,870 and \$90,382, representing its proportionate share of the System's net expense, including amortization of deferred amounts.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 14,885
Changes of assumptions	8,172	-
Net difference between projected and actual earnings on pension plan investments	98,550	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,671	1,047
Employer contributions subsequent to the measurement date	<u>20,597</u>	<u>-</u>
Total	<u>\$ 134,990</u>	<u>\$ 15,932</u>

The Town reported a total of \$20,597 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2017 which will be recognized as a reduction in net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ 34,075
2017	38,583
2018	21,382
2019	<u>4,421</u>
	<u>\$ 98,461</u>

11. RETIREMENT (Continued)

Actuarial Methods and Assumptions

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	7.40%, net of investment expense
Projected Salary Increases	5.0% (2.875% Inflation, 2.125% Merit)
Mortality Rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Expected Remaining Service Lives	3 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

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 of 2.6% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rates of return is 7.2% for the year ended June 30, 2017.

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

11. RETIREMENT (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Portfolio Target Asset Allocation</u>	<u>Real Rate Return</u>
Public Entity	50%	2.3%
Public Fixed Income	35%	1.6%
Alternatives	<u>15%</u>	<u>0.7%</u>
Totals	100%	4.6%
Inflation		<u>2.6%</u>
Expected Arithmetic Nominal Return		<u>7.2%</u>

The discount rate used to measure the total pension liability was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Discount Rate	1% Increase
	<u>6.4%</u>	<u>7.40%</u>	<u>8.4%</u>
Town’s proportionate share of the net pension liability	\$622,776	\$488,707	\$374,351

C. Other Retirement Plans

For employees who do not qualify to participate in either the Municipal Employees Retirement System or the Municipal Police Employees Retirement System, these employees are eligible to participate in a Deferred Variable Annuity through New York Life Insurance. Amounts contributed by employees and the Town (maximum match of 7.5%) are calculated using the same percentages contributed for members of municipal systems based on department of employee.

12. CONTINGENT LIABILITIES

The Town is exposed to a variety of risks that may result in losses. These risks include possible loss from acts of God, injury to employees, property damage, or breach of contract. The Town finances these

12. CONTINGENT LIABILITIES (Continued)

potential losses through purchasing insurance from several commercial companies. The level of coverage has remained constant. The Town is not a member of a risk pool. All claims currently filed are adequately covered by the policies in place with no outstanding liabilities expected for the Town.

13. ON BEHALF PAYMENTS FOR SALARIES

The Town recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town's police employees. For the year ended December 31, 2017 and 2016, the State made contributions of \$30,884 and \$25,250, respectively.

Required Supplemental Information

TOWN OF RINGGOLD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(unaudited)

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Taxes				
Ad valorem	\$ 22,000	\$ 22,000	\$ 31,029	\$ 9,029
Franchise	80,000	80,000	76,734	(3,266)
Licenses and permits	50,600	50,600	51,112	512
Intergovernmental	36,000	36,000	1,250	(34,750)
Fines and forfeitures	60,000	60,000	65,033	5,033
Use of money and property	20,000	20,000	48,175	28,175
Other revenues	5,600	5,600	2,399	(3,201)
Total revenues	<u>274,200</u>	<u>274,200</u>	<u>275,732</u>	<u>1,532</u>
Expenditures:				
Current:				
General government	294,100	294,100	234,018	60,082
Public safety	381,100	381,100	330,455	50,645
Recreation	6,600	6,600	4,949	1,651
Capital outlay	-	-	-	-
Total expenditures	<u>681,800</u>	<u>681,800</u>	<u>569,422</u>	<u>112,378</u>
Excess (deficiency) of revenue over expenditures	<u>(407,600)</u>	<u>(407,600)</u>	<u>(293,690)</u>	<u>113,910</u>
Other financing sources (uses):				
Operating transfers (net)	<u>295,600</u>	<u>295,600</u>	<u>283,956</u>	<u>(11,644)</u>
Total other financing sources (uses)	<u>295,600</u>	<u>295,600</u>	<u>283,956</u>	<u>(11,644)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(112,000)	(112,000)	(9,734)	102,266
Fund balances, beginning of year	<u>107,819</u>	<u>107,819</u>	<u>107,819</u>	<u>-</u>
Fund balances, end of year	<u>\$ (4,181)</u>	<u>\$ (4,181)</u>	<u>\$ 98,085</u>	<u>\$ 102,266</u>

TOWN OF RINGGOLD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(unaudited)

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Taxes	\$ 300,000	\$ 300,000	\$ 367,526	\$ 67,526
Interest	100	100	93	(7)
Total revenues	<u>300,100</u>	<u>300,100</u>	<u>367,619</u>	<u>67,519</u>
Expenditures:				
General government	4,500	4,500	5,512	(1,012)
Recreation	-	-	-	-
Total expenditures	<u>4,500</u>	<u>4,500</u>	<u>5,512</u>	<u>(1,012)</u>
Excess (deficiency) of revenue over expenditures	<u>295,600</u>	<u>295,600</u>	<u>362,107</u>	<u>66,507</u>
Other financing sources (uses):				
Operating transfers (net)	<u>(295,600)</u>	<u>(295,600)</u>	<u>(349,100)</u>	<u>(53,500)</u>
Total other financing sources (uses)	<u>(295,600)</u>	<u>(295,600)</u>	<u>(349,100)</u>	<u>(53,500)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	13,007	13,007
Fund balances, beginning of year	<u>557,526</u>	<u>557,526</u>	<u>557,526</u>	<u>-</u>
Fund balances, end of year	<u>\$ 557,526</u>	<u>\$ 557,526</u>	<u>\$ 570,533</u>	<u>\$ 13,007</u>

TOWN OF RINGGOLD

SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE YEARS ENDED DECEMBER 31, 2015 THROUGH DECEMBER 31, 2017

(Unaudited)

Fiscal Year	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>MERS</u>					
2017	0.116820%	488,707	179,629	272.1%	63.49%
2016	0.117320%	480,861	215,020	223.6%	63.34%
2015	0.109566%	391,387	208,359	187.8%	66.18%
<u>MPERS</u>					
2017	0.065907%	575,396	195,887	293.7%	70.08%
2016	0.070283%	658,750	166,346	396.0%	66.04%
2015	0.073010%	571,957	212,437	269.2%	70.73%

This schedule will contain ten years of historical information once such information becomes available.

See accompanying notes to required supplementary information and independent auditors' report.

TOWN OF RINGGOLD

SCHEDULE OF TOWN'S CONTRIBUTIONS

FOR THE YEARS ENDED DECEMBER 31, 2015 THROUGH DECEMBER 31, 2017
(Unaudited)

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
<u>MERS</u>					
2017	42,530	42,530	-	179,629	23.68%
2016	45,939	45,939	-	215,020	21.36%
2015	41,151	41,151	-	208,359	19.75%
<u>MPERS</u>					
2017	66,366	66,366	-	195,887	33.88%
2016	55,492	55,492	-	166,346	33.36%
2015	64,742	64,742	-	212,437	30.48%

This schedule will contain ten years of historical information once such information becomes available.

See accompanying notes to required supplementary information and independent auditors' report.

Supplementary Information

TOWN OF RINGGOLD
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2017

Agency Head: Honorable Donna Wiggins

Salary	12,000
Benefits-retirement	2,850
Conference travel	891
Dues and registration	175
Special meals	150

TOWN OF RINGGOLD

SCHEDULE OF COMPENSATION AND BENEFITS PAID ELECTED OFFICIALS

FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Board Member:</u>	<u>Compensation</u>	<u>Benefits</u>
Donna Wiggins, Mayor	12,000	4,066
Roosevelt Kinsey, III, Chief of Police	39,000	14,850
Larry Hays, Mayor Pro tem	4,200	-
Keith Johnson	4,200	-
Alan Clayborn	4,200	-
Kenya Iverson	4,200	100
Eddy Higginbotham	4,200	-

Other Reports

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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318-429-1525 PHONE • 318-429-2070 FAX

December 13, 2019

To the Honorable Mayor and the
Members of the Town Council
Town of Ringgold, Louisiana

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ringgold, Louisiana as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Ringgold, Louisiana's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness and one other deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs listed as 2017-1 to be a material weakness.

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A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs listed as 2017-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ringgold, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2017-3 and 2017-4.

The Town's Response to Findings

The Town's response to the findings identified in our audit are described in Management's Corrective Action Plan for Current Year Findings. We did not audit the Town's responses and, accordingly, we express no opinion on them.

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 result 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.

HEARD, McELROY & VESTAL, L.L.C.

Shreveport, Louisiana

TOWN OF RINGGOLD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2017

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Town of Ringgold, Louisiana.
2. Two significant deficiencies relating to the audit of the basic financial statements are reported, one of which is considered to be a material weakness.
3. Two instances of noncompliance relating to the basic financial statements of the Town of Ringgold, Louisiana were disclosed during the audit.
4. No federal single audit was required under Circular A-133 relating to the financial statements of the Town of Ringgold, Louisiana.

B. Findings – Financial Statement Audit

2017-1: Accounting Staff:

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Town's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor does management have the ability to perform these functions in-house. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls. This condition is intentional and results from management balancing the Town's financial complexity with the appropriate level of accounting expertise. It is not cost effective for the Town to prepare its annual financial statements in-house.

Whether or not it would be cost effective to correct a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under SAS 115. In this case, management does not believe that correcting the material weakness described above is cost effective or practical and, accordingly, does not believe that any corrective action is necessary.

2017-2: Inadequate Internal Control:

In attempting to test certain revenue and disbursement transactions to original documents for support, we determined the overall internal control for the Town is inadequate. This is a repeat finding. We recommend the utility clerk and town clerk receive training on the applicable software to be able to perform tasks as needed to maintain adequate internal controls. We recommend the Town establish internal controls to monitor all receipts and disbursements.

TOWN OF RINGGOLD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2017

2017-3: Filing of Audit Report:

The audit report was not submitted to the Legislative Auditor within 180 days of the close of the entity's fiscal year as required by state statute.

2017-4: Budget Variance and Budget Deficit:

The Town had unfavorable variances of more than 5% in its General Fund and Sales Tax Fund during the year. The Budget Act requires that budget be amended when variances exceed 5%. We recommend that Town management monitor the budget throughout the year and make necessary amendments.

The Town budgeted a deficit for the General Fund. The Budget Act requires a balanced budget. We recommend the Town make necessary changes in operations to balance the General Fund budget.

TOWN OF RINGGOLD
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

2016-1: Accounting Staff:

Status: Unresolved – repeated as 2017-1.

2016-2: Inadequate internal controls:

Status: Unresolved – repeated as 2017-2.

2016-3: Filing of audit report:

Status: Unresolved – repeated as 2017-3.

2016-4: Budget Variance

Status: Unresolved – repeated as 2017-4.

TOWN OF RINGGOLD

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2017

2017-2

Management agrees with the recommendations and intends to implement them immediately and provide training for the staff as deemed necessary.

2017-3

Management intends to utilize the assistance of a CPA to aid the Town in making procedural changes in the accounting department to strengthen internal and management controls to eliminate the type of situations which have caused delays in filing the audit by the required deadline.

2017-4

Town management will make efforts to monitor budget variances, and comply with the Budget Act by preparing amendments when necessary, and by balancing each budget.

TOWN OF RINGGOLD, LOUISIANA

**STATEWIDE AGREED-UPON
PROCEDURES REPORT**

YEAR ENDED DECEMBER 31, 2017

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

December 13, 2019

To the Honorable Mayor Milton Vining
and the members of the Town Council
Town of Ringgold, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the City of Bossier City (City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 01, 2017 through December 31, 2017. The City's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

Exception: The entity did not have a written policy regarding budgeting.

Management's Response: Town of Ringgold adheres to the Lawrson Act in regards to preparing, adopting, monitoring, and amending the budget.

¹ For governmental organization, the practitioner may eliminate those categories and subcategories that do not apply to the organization's operations. For quasi-public organizations, including non-profits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.

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- 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.

Exception: The entity did not have a written policy regarding purchasing.

Management's Response: Town of Ringgold will officially adopt policies regarding purchasing.

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

Exception: The entity did not have a written policy regarding disbursements.

Management's Response: Town of Ringgold will officially adopt policies regarding disbursements.

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

Exception: The entity did not have a written policy regarding receipts/collections.

Management's Response: Town of Ringgold will officially adopt policies regarding receipts and collections.

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

Exception: The entity did not have a written policy regarding payroll.

Management's Response: Town of Ringgold will officially adopt policies regarding payroll/personnel.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Exception: The entity did not have a written policy regarding contracting.

Management's Response: Town of Ringgold will officially adopt policies regarding contracting.

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

Exception: The entity did not have a written policy regarding credit cards.

Management's Response: Town of Ringgold will officially adopt policies regarding credit cards.

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

Exception: The entity did not have a written policy regarding travel and expense reimbursement.

Management's Response: Town of Ringgold will officially adopt policies regarding travel and expense reimbursement.

- i) **Ethics**², including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Exception: The entity did not have a written policy regarding ethics.

Management's Response: Town of Ringgold added a policy regarding ethics in 2019.

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

Exception: The entity did not have a written policy regarding debt service.

Management's Response: Town of Ringgold will officially adopt policies regarding Debt Service.

Board or Finance Committee³

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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.

Exception: The entity was unable to provide the board's enabling legislation, charter, bylaws, or other equivalent documents.

Management's Response: Town of Ringgold will obtain / locate copies of enabling legislation, charter, bylaws, or other equivalent documents.

- 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-

² The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

³ These procedures are not applicable to entities managed by a single elected official, such as sheriff or assessor.

actual comparisons, if budgeted) for major proprietary funds.⁴ *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 did not reference or included monthly budget-to actual comparisons or monthly financial statement.

Management's Response: The current budget will be entered into the Town's Accounting software program.

- 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 prior year audit report did not have a negative ending balance in unrestricted funds.

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 accounts⁵ (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

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

All bank reconciliations selected included evidence that they were prepared within two months of the closing date.

- 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

All bank reconciliations include evidence that they were reviewed by the mayor.

- 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.

⁴ Major funds are defined under GASB standards. The related procedure addresses major funds as a way to verify that boards are provided with financial information necessary to make informed decisions about significant entity operations, including proprietary operations that are not required to be budgeted under the LGBA.

⁵ Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

Exception: Four of the bank reconciliations selected did not have documentation reflecting management has researched outstanding items greater than 12 months.

Management's Response: Management has instituted the practice of initialing bank statement reconciliations.

Collections

4. Obtain a listing of deposit sites⁶ for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing was obtained from management.

5. For each deposit site selected, obtain a listing of collection locations⁷ and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

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

Exception: Both employees share the same cash drawer.

Management's Response: Individual cash drawers will be available to each employee responsible for receiving cash collections. Also, Town of Ringgold is considering not accepting cash.

- 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.

Exception: The same employee with access to collect cash prepares the bank deposits.

Management's Response: Town of Ringgold will officially adopt policies regarding collection and posting transactions.

- 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.

Exception: The same employee with access to collect cash post the transaction to the general ledger.

Management's Response: Town of Ringgold will officially adopt policies regarding collection and posting transactions.

⁶ A deposit site is a physical location where a deposit is prepared and reconciled.

⁷ A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit.

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

The same employee is responsible for collecting cash and reconciling collection to the general ledger; however, the reconciliation is reviewed by another employee.

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

Management confirmed that all employees who have access to cash are covered by a theft insurance policy.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day)⁸. *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

Exception: The deposits selected were not supported by sequentially pre-numbered receipts.

Management’s Response: Town of Ringgold will officially adopt policies regarding sequentially pre-numbered receipts.

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

Exception: The deposits selected were not supported by sequentially pre-numbered receipts.

Management’s Response: Town of Ringgold will officially adopt policies regarding sequentially pre-numbered receipts.

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

The deposit slip was traced to the actual deposit per the bank statement without exception.

- 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).

Exception: The deposits selected were not supported by receipts; therefore, it could not be determined if the deposit was made within one business day.

⁸ If “bank reconciliations” have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for bank reconciliations.

Management's Response: Town of Ringgold will officially adopt policies regarding sequentially pre-numbered receipts.

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

The deposit per the bank statement was traced to the general ledger without exception.

Non-Payroll Disbursements – (excluding credit 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).

A listing was obtained from management.

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.

Multiple employees are involved in initiating a purchase.

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

Both the Town Clerk and Councilmembers 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.

Exception: The Town Clerk process payments and can modify vendor files, yet the changes are not reviewed.

Management's Response: Town of Ringgold will officially adopt policies regarding the process of payments and modifying vendor files reviewing process.

- 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.

Exception: The Town Clerk process and mails payments.

Management's Response: Payments are reviewed by two council members and voted on by the council.

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.

All transactions selected were supported by the 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.

Exception: Three of the transactions selected did not have evidence of segregation of duties.

Management's Response: Town of Ringgold will review the process and make changes needed.

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

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

A listing was obtained from management.

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

All of the selected monthly statements were reviewed and approved in writing by someone other than the card holder.

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

Finance charges and late fees were not assessed on the selected statements.

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

All of the selected statements were fuel cards; therefore, this test was not performed.

Travel and Travel-Related Expense Reimbursement

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

A listing was obtained from management.

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

None of the selected transactions were reimbursed per diem.

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

The transactions selected were cash advances; however, they were supported by itemized receipts of what was spent and the entity was reimbursed for the unused monies.

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

The business/public purpose for each transaction was documented.

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

Exception: None of the transactions selected had documentation of review or approval.

Management's Response: Town of Ringgold will review the process and make changes needed.

Contracts

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

A listing was obtained from management.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law⁹ (e.g., solicited quotes or bids, advertised), if required by law.

Exception: The entity was not able to provide support for the contract.

Management's Response: Town of Ringgold will review the process and make changes needed.

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

Exception: The entity was not able to provide support for the contract

Management's Response: Town of Ringgold will review the process and make changes needed.

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

Exception: The entity was not able to provide support for the contract

Management's Response: Town of Ringgold will review the process and make changes needed.

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

Exception: The entity was not able to provide support for the contract

Management's Response: Town of Ringgold will review the process and make changes needed.

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.

Exception: The entity was not able to provide support for the pay rate for two of the employees selected.

Management's Response: Pay rates have not changed since 2014. Town of Ringgold will review the process and make changes needed.

⁹ If the entity has adopted the state Procurement Code, replace "Louisiana Public Bid Law" with "Louisiana Procurement Code."

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

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

Exception: The entity was not able to provide support for the pay rate for two of the employees selected.

Management's Response: Pay rates have not changed since 2014. Town of Ringgold will review the process and make changes needed.

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

Exception: The entity was not able to provide support for the pay rate for two of the employees selected.

Management's Response: Pay rates have not changed since 2014. Town of Ringgold will review the process and make changes needed.

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

Exception: The entity was not able to provide support for the pay rate for two of the employees selected. .

Management's Response: Pay rates have not changed since 2014. Town of Ringgold will review the process and make changes needed.

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.

A listing was obtained from management and supporting documentation agreed to the termination payment.

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.

Management reports that all employer and employee portion of payments have been paid and filed by the required deadlines.

Ethics¹⁰

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above¹¹, 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.

Exception: The entity was not able to provide documentation to support the one hour of ethics training for the selected employees during the year.

Management’s Response: Town of Ringgold instituted a policy in 2019 to address Ethics Training

- 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: The entity does not have an ethics policy; therefore, this test was not performed.

Management’s Response: Town of Ringgold instituted a policy in 2019 to address Ethics Training

Debt Service¹²

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

Management reports that no new bonds or notes were issued during the year.

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

Exception: A listing was obtained from management, showing two bonds outstanding at year-end. However, debt covenants and supporting documentation could not be provided.

Management’s Response: Town of Ringgold will review the process and make changes needed.

¹⁰ The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the procedures should be performed.

¹¹ If “payroll and personnel” have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for payroll and personnel.

¹² This AUP category is generally not applicable to non-profit entities; however, if applicable, the procedures should be performed.

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.

There were no misappropriations of public funds or assets during the year.

24. Observe that the entity has posted on its premises¹³ and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.¹⁴

Exception: The entity did not have the notice posted on the premises.

Management's Response: Town of Ringgold will review the process and make changes needed.

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.

HEARD, McELROY & VESTAL, L.L.C.

Shreveport, Louisiana

¹³ Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs.

¹⁴ This notice is available for download or print at www.la.la.gov/hotline.