

TOWN OF SUNSET, LOUISIANA

Financial Report

Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Honorable Charles James, Mayor
and Members of the Board of Aldermen
Town of Sunset, Louisiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Sunset, Louisiana, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in 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 budgetary comparison information and the schedules of employer's share of net pension liability and employer pension contributions on pages 42 through 45 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.

The Town of Sunset has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sunset, Louisiana's basic financial statements. The other supplementary information on pages 48 through 59 is presented for purposed of additional analysis and is not a required part of the basic financial statements.

The comparative statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these comparative statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The prior year comparative information on the comparative statements has been derived from the Town of Sunset's 2017 financial statements. This information was subjected to 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 and, in our opinion, was fairly presented, in all material respects, in relation to the basic financial statements as a whole.

The various schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, on our consideration of the Town of Sunset, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Sunset, Louisiana's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
October 25, 2018

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF SUNSET, LOUISIANA

Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest-bearing demand deposits	\$ 652,091	\$ 101,431	\$ 753,522
Interest-bearing time deposits	7,891	1,060	8,951
Receivables, net	70,079	51,219	121,298
Internal balances	78,951	(78,951)	-
Due from other governmental units	5,628	-	5,628
Total current assets	<u>814,640</u>	<u>74,759</u>	<u>889,399</u>
Noncurrent assets:			
Restricted assets:			
Cash and interest-bearing demand deposits	-	93,505	93,505
Interest-bearing time deposits	-	26,220	26,220
Capital assets, net	1,302,348	1,784,262	3,086,610
Total noncurrent assets	<u>1,302,348</u>	<u>1,903,987</u>	<u>3,206,335</u>
Total assets	<u>2,116,988</u>	<u>1,978,746</u>	<u>4,095,734</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>195,367</u>	<u>27,662</u>	<u>223,029</u>
LIABILITIES			
Current liabilities:			
Accounts, salaries and other payables	90,438	91,232	181,670
Customers deposits payable	-	119,725	119,725
Capital lease payable	2,400	-	2,400
Loans payable	4,101	14,180	18,281
Bonds payable	16,000	-	16,000
Total current liabilities	<u>112,939</u>	<u>225,137</u>	<u>338,076</u>
Noncurrent liabilities:			
Capital lease payable	1,599	-	1,599
Loans payable	-	352,825	352,825
Bonds payable	136,000	-	136,000
Net pension liability	606,576	80,637	687,213
Total noncurrent liabilities	<u>744,175</u>	<u>433,462</u>	<u>1,177,637</u>
Total liabilities	<u>857,114</u>	<u>658,599</u>	<u>1,515,713</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>30,174</u>	<u>4,611</u>	<u>34,785</u>
NET POSITION			
Net investment in capital assets	1,146,349	1,366,992	2,513,341
Restricted for sales tax dedications	328,452	-	328,452
Restricted for debt service	10,666	-	10,666
Unrestricted (deficit)	(60,400)	(23,794)	(84,194)
Total net position	<u>\$ 1,425,067</u>	<u>\$ 1,343,198</u>	<u>\$ 2,768,265</u>

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

TOWN OF SUNSET, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2018

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 540,449	\$ 140,835	\$ -	\$ -	\$ (399,614)	\$ -	\$ (399,614)
Public safety:							
Police	724,225	345,169	-	-	(379,056)	-	(379,056)
Fire	179,701	-	9,295	-	(170,406)	-	9,295
Streets	249,808	-	6,040	-	(243,768)	-	(243,768)
Interest on long-term debt	6,865	-	-	-	(6,865)	-	(6,865)
Total governmental activities	<u>1,701,048</u>	<u>486,004</u>	<u>15,335</u>	<u>-</u>	<u>(1,199,709)</u>	<u>-</u>	<u>(1,199,709)</u>
Business-type activities:							
Gas	165,269	267,487	-	-	-	102,218	102,218
Water	235,544	263,456	-	91,751	-	119,663	119,663
Sewer	181,174	147,305	-	-	-	(33,869)	(33,869)
Total business-type activities	<u>581,987</u>	<u>678,248</u>	<u>-</u>	<u>91,751</u>	<u>-</u>	<u>188,012</u>	<u>188,012</u>
Total	<u>\$2,283,035</u>	<u>\$ 1,164,252</u>	<u>\$15,335</u>	<u>\$ 91,751</u>	<u>(1,199,709)</u>	<u>188,012</u>	<u>(1,011,697)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					142,162	-	142,162
Sales and use taxes, levied for general purposes					677,796	-	677,796
Franchise taxes					132,589	-	132,589
Grants and contributions not restricted to specific programs -							
State sources					90,067	-	90,067
Non-employer pension contribution					10,083	1,186	11,269
Interest and investment earnings					289	195	484
Miscellaneous					23,163	(232)	22,931
Transfers					118,780	(118,780)	-
Total general revenues and transfers					<u>1,194,929</u>	<u>(117,631)</u>	<u>1,077,298</u>
Change in net position					(4,780)	70,381	65,601
Net position - July 1, 2017					<u>1,429,847</u>	<u>1,272,817</u>	<u>2,702,664</u>
Net position - June 30, 2018					<u>\$1,425,067</u>	<u>\$1,343,198</u>	<u>\$2,768,265</u>

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

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

MAJOR FUNDS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sales Tax Fund -

To account for the receipt and use of proceeds of the Town's two 1% sales and use taxes. These taxes are dedicated for the purpose of constructing and purchasing municipal, fire and police department facilities and furnishings and equipment; opening, construction, and improving drains, drainage canals, and subsurface drainage; constructing, acquiring, or improving any work of public permanent improvements, and purchasing and acquiring all equipment and furnishings for public works, buildings, improvements, and facilities of the Town of Sunset.

Debt Service Fund

Debt Service Fund

To account for the payment of the principal and interest on the City's 2010 Excess Revenue Bonds. Financing is provided from sales tax revenues.

Enterprise Fund

Utility Fund -

To account for the provision of gas, water, sewerage and limited sanitation services to 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 and collection.

TOWN OF SUNSET, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Sales Tax Special Revenue</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS				
Cash and interest-bearing demand deposits	\$ 400,888	\$ 188,627	\$ 62,576	\$ 652,091
Interest-bearing time deposits	7,891	-	-	7,891
Receivables:				
Taxes	28,891	-	-	28,891
Due from other governmental units	5,628	-	-	5,628
Due from other funds	142,239	139,825	-	282,064
Other	41,188	-	-	41,188
Total assets	<u>\$ 626,725</u>	<u>\$ 328,452</u>	<u>\$ 62,576</u>	<u>\$ 1,017,753</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 32,213	\$ -	\$ -	\$ 32,213
Salaries and related benefits	31,759	-	-	31,759
Cash bonds payable	25,360	-	-	25,360
Due to other funds	152,309	-	50,804	203,113
Total liabilities	<u>241,641</u>	<u>-</u>	<u>50,804</u>	<u>292,445</u>
Fund balances -				
Restricted for sales tax dedications	-	328,452	-	328,452
Restricted for debt service	-	-	11,772	11,772
Unassigned	385,084	-	-	385,084
Total fund balances	<u>385,084</u>	<u>328,452</u>	<u>11,772</u>	<u>725,308</u>
Total liabilities and fund balances	<u>\$ 626,725</u>	<u>\$ 328,452</u>	<u>\$ 62,576</u>	<u>\$ 1,017,753</u>

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

TOWN OF SUNSET, LOUISIANA

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

Total fund balances for governmental funds at June 30, 2018		\$ 725,308
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 224,034	
Buildings and improvements, net of \$747,284 accumulated depreciation	950,567	
Machinery and equipment, net of \$976,530 accumulated depreciation	27,629	
Vehicles, net of \$147,918 accumulated depreciation	<u>100,118</u>	1,302,348
The deferred outflows of expenditures for the municipal and police employees retirement systems are not a use of current resources, and therefore, are not reported in the funds		195,367
Long-term liabilities of governmental activities are not payable from current resources and, therefore, not reported in the funds. These liabilities consist of:		
Capital lease payable	(3,999)	
Loan payable	(4,101)	
Revenue bonds payable	(152,000)	
Net pension liability	(606,576)	
Accrued interest payable	<u>(1,106)</u>	(767,782)
The deferred inflows of contributions for the municipal and police employees retirement systems are not available resources, and therefore, are not reported in the funds		<u>(30,174)</u>
Total net position of governmental activities at June 30, 2018		<u>\$1,425,067</u>

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

TOWN OF SUNSET, LOUISIANA

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

	General	Sales Tax Special Revenue	Debt Service Fund	Total
Revenues:				
Taxes	\$ 274,751	\$ 677,796	\$ -	\$ 952,547
Licenses and permits	140,835	-	-	140,835
Intergovernmental	105,402	-	-	105,402
Fines and forfeits	345,169	-	-	345,169
Miscellaneous	23,163	289	-	23,452
Total revenues	889,320	678,085	-	1,567,405
Expenditures:				
Current -				
General government	447,834	10,362	-	458,196
Public safety -				
Police	696,311	-	-	696,311
Fire	169,322	-	-	169,322
Streets	234,966	-	-	234,966
Debt service -				
Principal	8,400	-	15,000	23,400
Interest and fiscal charges	-	-	6,865	6,865
Capital outlay	82,955	-	-	82,955
Total expenditures	1,639,788	10,362	21,865	1,672,015
Excess (deficiency) of revenues over expenditures	(750,468)	667,723	(21,865)	(104,610)
Other financing sources (uses):				
Transfers in	863,178	-	22,440	885,618
Transfers out	-	(766,838)	-	(766,838)
Total other financing sources (uses)	863,178	(766,838)	22,440	118,780
Net changes in fund balances	112,710	(99,115)	575	14,170
Fund balances, beginning	272,374	427,567	11,197	711,138
Fund balances, ending	\$ 385,084	\$ 328,452	\$ 11,772	\$ 725,308

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

TOWN OF SUNSET, LOUISIANA

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

Total net changes in fund balances at June 30, 2018 per statement of revenues, expenditures and changes in fund balances			\$ 14,170
The change in net position reported for governmental activities in the statement of activities is 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 which are considered expenditures on the statement of revenues, expenditures and changes in fund balances		\$ 82,955	
Depreciation expense for the year ended June 30, 2018		<u>(96,195)</u>	(13,240)
Non-employer's contributions to the municipal employees and the police employees pension plans			10,083
Principal payments on long-term debt considered as an expenditure on the statement of revenues, expenditures, and changes in fund balances, whereas the payments reduce the balances of capital lease, note, and bonds payables on the statement of net position			23,400
Differences between the amount reported as expenses in the statement of activities and those reported as expenditures in the fund financial statements:			
Pension expense		(39,284)	
Interest expense		<u>91</u>	<u>(39,193)</u>
Total changes in net position at June 30, 2018 per statement of activities			<u>\$ (4,780)</u>

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

TOWN OF SUNSET, LOUISIANA

Statement of Net Position
Proprietary Fund
June 30, 2018

	Enterprise Fund
ASSETS	
Current assets:	
Cash and interest-bearing demand deposits	\$ 101,431
Interest-bearing time deposits	1,060
Accounts receivable, net	51,219
Due to other funds	8,181
Total current assets	161,891
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing demand deposits	93,505
Interest-bearing time deposits	26,220
Capital assets, net of accumulated depreciation	1,784,262
Total noncurrent assets	1,903,987
Total assets	2,065,878
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	27,662
LIABILITIES	
Current liabilities:	
Accounts payable	35,088
Contracts payable	13,406
Retainage payable	36,859
Accrued liabilities	5,879
Due to other funds	87,132
Customer deposits payable	119,725
Loan payable	14,180
Total current liabilities	312,269
Noncurrent liabilities:	
Loan payable	352,825
Net pension liability	80,637
Total noncurrent liabilities	433,462
Total liabilities	745,731
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	4,611
NET POSITION	
Net investment in capital assets	1,366,992
Unrestricted	(23,794)
Total net position	\$ 1,343,198

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

TOWN OF SUNSET, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position -
 Proprietary Fund
 For the Year Ended June 30, 2018

	<u>Enterprise Fund</u>
Operating revenues:	
Charges for services -	
Gas charges	\$ 255,415
Water charges	233,599
Sewer service charges	142,183
Miscellaneous	<u>47,051</u>
Total operating revenues	<u>678,248</u>
 Operating expenses:	
Salaries	69,120
Payroll taxes	5,226
Retirement	13,673
Meter reading	21,821
Gas purchases	75,526
Survey and analysis expense	10,097
Materials and supplies	29,060
State mandated water fee	15,199
Office supplies and postage	8,524
Repairs and maintenance	64,773
Insurance	43,847
Utilities	49,563
Telephone	6,797
Auto expense	6,776
Accounting and audit	21,114
Engineering	25,634
Contract labor	1,343
Seminars and conventions	6,248
Miscellaneous	24,795
Depreciation	<u>82,851</u>
Total operating expenses	<u>581,987</u>
 Operating income	 <u>96,261</u>

(continued)

TOWN OF SUNSET, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position -
 Proprietary Fund (Continued)
 For the Year Ended June 30, 2018

	<u>Enterprise Fund</u>
Nonoperating revenues (expenses):	
Interest income	195
Interest expense	(232)
Non-employer pension contribution	<u>1,186</u>
Total nonoperating revenues (expenses)	<u>1,149</u>
 Income before contributions and transfers	 97,410
 Contributions	 91,751
Transfers:	
Transfers to General Fund	<u>(118,780)</u>
 Change in net position	 70,381
 Net position, beginning	 <u>1,272,817</u>
 Net position, ending	 <u>\$ 1,343,198</u>

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

TOWN OF SUNSET, LOUISIANA

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2018

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 668,966
Payments to suppliers	(428,045)
Payments to employees	<u>(60,673)</u>
Net cash provided by operating activities	<u>180,248</u>
Cash flows from noncapital financing activities:	
Cash received by other funds	57,319
Transfers to other funds	<u>(118,780)</u>
Net cash used by noncapital financing activities	<u>(61,461)</u>
Cash flows from capital and related financing activities:	
Proceeds from loan payable	458,756
Interest paid on loan	(232)
Increase in customer deposits payable	4,810
Acquisition of property, plant and equipment	<u>(597,294)</u>
Net cash used by capital and related financing activities	<u>(133,960)</u>
Cash flows from investing activities:	
Maturities of interest-bearing time deposits	27,224
Purchase of interest-bearing time deposits	(27,280)
Interest on interest-bearing deposits	<u>195</u>
Net cash provided by investing activities	<u>139</u>
Net decrease in cash and cash equivalents	(15,034)
Cash and cash equivalents, beginning of period	<u>209,970</u>
Cash and cash equivalents, end of period	<u>\$ 194,936</u>

(continued)

TOWN OF SUNSET, LOUISIANA

Statement of Cash Flows
 Proprietary Fund (Continued)
 For the Year Ended June 30, 2018

	<u>Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 96,261
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	82,851
Pension expense	5,015
Provision for uncollectible accounts	4,123
Changes in current assets and liabilities:	
Increase in accounts receivable	(13,405)
Increase in accounts payable	1,716
Increase in accrued liabilities	3,687
Net cash provided by operating activities	<u>\$ 180,248</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:	
Cash and cash equivalents, beginning of period -	
Cash - unrestricted	\$ 121,219
Cash - restricted	<u>88,751</u>
Total cash and cash equivalents	<u>209,970</u>
Cash and cash equivalents, end of period -	
Cash - unrestricted	101,431
Cash - restricted	<u>93,505</u>
Total cash and cash equivalents	<u>194,936</u>
Net decrease	<u>\$ (15,034)</u>

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

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Sunset (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A Financial Reporting Entity

The Town of Sunset was incorporated in 1909 under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government.

Section 2100 of the 2011 Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, "Defining the Financial Reporting Entity" establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property.
2. Whether the primary government's governing authority appoints a majority of board members of the potential component unit and is able to impose its will on the potential component unit or the potential component unit is fiscally dependent on the primary government.
3. Financial benefit/burden relationship between the primary government and the potential component unit.
4. The nature and significance of the relationship between the potential component unit with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

The Town of Sunset is a primary government and has no component units. The accompanying financial statements present information only on the funds maintained by the Town and do not present information on any other governmental unit.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity, except the fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

Fund Financial Statements

The accounts of the Town are organized and operated since funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Town are classified into two categories: governmental and proprietary (enterprise). The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

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

Several funds of the Town are considered to be major funds and are described below:

Governmental Funds -

General Fund

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

Special Revenue Fund

Sales Tax Fund -

The Sales Tax Fund is used to account for the proceeds of two one percent sales and use taxes that are legally restricted to expenditures for specific purposes.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Debt Service Fund -

The Debt Service Fund is used to account for the payment of the principal and interest on the City's 2010 Excess Revenue Bonds.

Proprietary Fund -

Enterprise Fund -

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town applies all applicable principles under the Governmental Accounting Standards Board (GASB) in accounting and reporting for its enterprise fund. The Town's enterprise fund is the Utility Fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are derived from charges for services. All other revenues are reported as nonoperating.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposits with an original maturity of three months or less.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem taxes and franchise taxes. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible amounts due for ad valorem taxes, miscellaneous liens, and sundry claims are recorded as bad debts through the establishment of an allowance account at the time information available indicates the uncollectibility of the receivable. Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the adjustment of an allowance account to the balance of individual accounts over 90 days old at the end of each fiscal year. The allowance for uncollectible utility receivables was \$37,348 at June 30, 2018. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month are estimated and recorded at June 30, 2018.

Capital Assets

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

Prior to GASB 34, government were not required to report general infrastructure assets. The Town of Sunset did not capitalize infrastructure assets. Beginning July 1, 2001, the Town began to capitalize infrastructure.

In the government-wide financial statements, capital assets are capitalized at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. The Town of Sunset maintains a threshold level of \$1,000 or more for capitalizing capital assets.

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

Buildings and improvements	5 - 20 years
Machinery and equipment	3 - 15 years
Vehicles	5 - 10 years
Utility system and extensions	5 - 30 years

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Restricted Assets

Restricted assets include cash, interest-bearing deposits, and investments of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and utility meter deposits.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of the revenue bonds payable, note payable, capital lease payable and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures of revenues, respectively. At June 30, 2018, the Town's deferred outflows and inflows of resources are attributable to its pension plans.

Equity Classifications

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows or resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

- c. Unrestricted net position – Net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

In the fund financial statements, governmental fund equity is classified as fund balance. As such, fund balances of the governmental funds are classified as follows.

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal decision of the Town's Mayor and Board of Aldermen, which is the highest level of decision-making authority for the Town.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only the Mayor and Board of Aldermen may assign amounts for specified purposes.
- e. Unassigned – all other spendable amounts.

When an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town has provided otherwise in his commitment or assignment actions. Enterprise (Utility) Fund equity at the fund level is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds - By Character
- Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales tax	See Note 11
Gas, water, and sewer revenue	Utility operations

The City uses unrestricted resources only when restricted resources are fully depleted.

G. Compensated Absences

Town employees are entitled to certain compensated absences based upon their length of service. Vacation and sick leave must be taken in the year accrued and cannot be carried over. Full time employees are eligible for 10 days of sick time per fiscal year. Employees who resign or retire, or who are dismissed from employment, shall not be paid for any accrued sick leave and all such leave shall be cancelled.

H. Capitalization of Interest Expense

It is the policy of the Town of Sunset to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. At June 30, 2018, there was no material interest paid on borrowings for assets under construction, and therefore, no capitalized interest expense was recorded on the books.

I. Use of Estimates

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

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

J. Report Reclassification

Certain previously reported amounts for the year ended June 30, 2017 have been reclassified to conform to the June 30, 2018 classifications.

(2) Ad Valorem Taxes

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 taxpayers in December. Billed taxes become delinquent on January 1 of the following year.

For the year ended June 30, 2018, taxes of 5.91 mills were levied on property with assessed valuations totaling \$23,016,710 and were dedicated for general corporate purposes.

Total taxes levied were \$136,029. Taxes receivable at June 30, 2018 was \$3,712. The allowance for uncollectible accounts was \$1,856 at June 30, 2018; therefore, the net taxes receivable is \$1,856 at June 30, 2018.

(3) Sales and Use Tax

Proceeds of the two 1 percent sales and use taxes (accounted for in the Sales Tax Fund) levied by the Town of Sunset (2018 collections \$677,796) are dedicated to the following purposes:

Constructing and purchasing municipal, fire and police department facilities, furnishings and equipment; opening, construction, and improving drains, drainage canals, and subsurface drainage; constructing, acquiring, or improving any work of public permanent improvements, and purchasing and acquiring all equipment and furnishings for public works, buildings, improvements, and facilities of the Town of Sunset.

(4) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 2018, the Town had cash and interest-bearing deposits (book balances) totaling \$882,198 as follows:

Non interest-bearing deposits	\$ 626,398
Interest-bearing deposits	220,629
Time deposits	<u>35,171</u>
Total	<u>\$ 882,198</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. 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 similar federal security 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 bank. These securities are held in the name of the Town or the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Deposit balances (bank balances) at June 30, 2018 were secured as follows:

Bank balances	<u>\$ 910,713</u>
Federal deposit insurance	500,000
Pledged securities	<u>410,713</u>
Total insured and secured bank balances	<u>\$ 910,713</u>

Deposits in the amount of \$410,713 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Town's name. Even though the pledged securities are considered uncollateralized, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand. The Town does not have a policy for custodial credit risk.

(5) Receivables

Receivables at June 30, 2018 consist of the following:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Accounts	\$ -	\$ 33,805	\$ 33,805
Unbilled utility	-	17,414	17,414
Ad valorem taxes	1,856	-	1,856
Franchise taxes	27,035	-	27,035
Other	<u>41,188</u>	<u>-</u>	<u>41,188</u>
Totals	<u>\$ 70,079</u>	<u>\$ 51,219</u>	<u>\$ 121,298</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(6) Due from Other Governmental Units

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

General Fund:

Amount due from the Louisiana Municipal Advisory and Technical Services Bureau for insurance occupational licenses revenue earned through June 2018	\$ 450
Amount due from State of Louisiana for beer tax revenue earned through June 2018	1,388
Amount due from State of Louisiana for racino revenue earned through June 2018	<u>3,790</u>
Total	<u>\$ 5,628</u>

(7) Restricted Assets - Proprietary Fund Type

Restricted assets in the business-type activities consisted of the following at June 30, 2018:

Customers' deposits:

Cash and interest-bearing deposits	\$ 93,505
Interest-bearing time deposits	<u>26,220</u>
Total restricted assets	<u>\$ 119,725</u>

(8) Accounts, Salaries, and Other Payables

The accounts, salaries, and other payables consisted of the following at June 30, 2018:

	Governmental Activities	Business-Type Activities	Total
Accounts	\$32,213	\$ 35,088	\$ 67,301
Contracts payable	-	13,406	13,406
Retainage payable	-	36,859	36,859
Accrued salaries and benefits	31,759	5,879	37,638
Accrued interest	<u>1,106</u>	<u>-</u>	<u>1,106</u>
Totals	<u>\$90,438</u>	<u>\$ 91,232</u>	<u>\$181,670</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(9) Capital Assets

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

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 224,034	\$ -	\$ -	\$ 224,034
Other capital assets:				
Buildings and improvements	1,697,851	-	-	1,697,851
Machinery and equipment	1,023,952	32,955	26,374	1,030,533
Vehicles	198,214	50,000	26,552	221,662
Totals	<u>3,144,051</u>	<u>82,955</u>	<u>52,926</u>	<u>3,174,080</u>
Less accumulated depreciation				
Buildings and improvements	679,287	67,997	-	747,284
Machinery and equipment	991,305	11,599	26,374	976,530
Vehicles	157,871	16,599	26,552	147,918
Total accumulated depreciation	<u>1,828,463</u>	<u>96,195</u>	<u>52,926</u>	<u>1,871,732</u>
Governmental activities, capital assets, net	<u>\$1,315,588</u>	<u>\$ (13,240)</u>	<u>\$ -</u>	<u>\$1,302,348</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 75,210	\$ -	\$ -	\$ 75,210
Construction in progress	411,847	549,968	452,794	509,021
Other capital assets:				
Utility system and extensions	6,054,257	452,794	-	6,507,051
Machinery and equipment	45,021	-	-	45,021
Vehicles	26,589	-	-	26,589
Totals	<u>6,612,924</u>	<u>1,002,762</u>	<u>452,794</u>	<u>7,162,892</u>
Less accumulated depreciation				
Utility system and extensions	5,232,804	77,467	-	5,310,271
Machinery and equipment	41,743	1,366	-	43,109
Vehicles	21,232	4,018	-	25,250
Total accumulated depreciation	<u>5,295,779</u>	<u>82,851</u>	<u>-</u>	<u>5,378,630</u>
Business-type activities, capital assets, net	<u>\$1,317,145</u>	<u>\$ 919,911</u>	<u>\$ 452,794</u>	<u>\$1,784,262</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 64,782
Police	20,170
Fire	10,379
Streets	<u>864</u>
Total depreciation expense-governmental activities	<u>\$ 96,195</u>

Depreciation expense was charged to business-type activities as follows:

Gas system	\$ 2,152
Water system	45,111
Sewer system	<u>35,588</u>
Total depreciation expense-business-type activities	<u>\$ 82,851</u>

(10) Long-term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2018:

	Governmental Activities			Business-type
	Revenue Bonds	Loan Payable	Capital Lease	Loan Payable
Long-term liabilities, July 1, 2017	\$ 167,000	\$ 10,101	\$ 6,399	\$ -
Additions	-	-	-	367,005
Deletions	<u>(15,000)</u>	<u>(6,000)</u>	<u>(2,400)</u>	<u>-</u>
Long-term liabilities, June 30, 2018	<u>\$ 152,000</u>	<u>\$ 4,101</u>	<u>\$ 3,999</u>	<u>\$ 367,005</u>

Long-term debt at June 30, 2018 is comprised of the following:

	<u>Total</u>	<u>Current Portion</u>
Governmental Activities:		
Revenue Bonds Payable -		
\$250,000 Excess Revenue Bonds, Series 2010 due in annual installments ranging from \$14,000 to \$23,000 through November 1, 2025; interest at 3.5% to 4.85%; secured by a pledge of and payable solely from the proceeds of sales tax revenues.	\$152,000	\$16,000
Loan Payable -		
\$40,101 noninterest bearing loan payable to the Town of Grand Coteau due in annual installments of \$6,000, with one final installment of \$4,101 due in 2019, secured by excess General Fund and sales tax revenues.	4,101	4,101

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Capital Lease Payable -

\$11,999 equipment lease dated January 29, 2015 due in monthly installments of \$200 through 2020, secured by excess General Fund revenues and an asset with a carrying value of \$3,800 (cost of \$11,999 less accumulated amortization of \$8,199) at June 30, 2018. Amortization in the amount of \$2,400 is included in depreciation expense for the year ended June 30, 2018.

3,999 2,400

Total governmental activities

\$160,100 \$22,501

Business-Type Activities:

Loan Payable -

Loan from the Louisiana Department of Health and Hospitals; interest at 1.95%; payable from utilities system revenues. The balance through June 30, 2018 is net of a 20% debt forgiveness. The remaining amount to be drawn on the loan is \$72,995.

\$367,005 \$14,180

The Town borrowed \$458,756 (of which \$91,751 was forgiven) from the Louisiana Department of Health and Hospitals as an interim loan to finance the cost of an automated water meter reading system. Upon completion of the project, the Town will issue taxable utilities revenue bonds for permanent financing. The forgiveness of debt is recorded as a capital contribution in the Proprietary Fund statement of revenues, expenses, and changes in fund net position.

The annual requirements to amortize the outstanding debt as of June 30, 2018 are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 22,501	\$ 13,351	\$ 14,180	\$ 7,018
2020	18,599	5,693	14,180	6,742
2021	17,000	5,009	15,848	6,449
2022	18,000	4,278	15,848	6,140
2023	19,000	3,478	15,848	5,831
2024-2037	65,000	4,794	291,101	45,030
Total	<u>\$ 160,100</u>	<u>\$ 36,603</u>	<u>\$367,005</u>	<u>\$ 77,210</u>

(11) Flow of Funds; Restrictions on Use - Sales Tax Revenues

The \$250,000 excess revenue bonds issued on November 22, 2010 require that a portion of the sales tax revenues from the Sales Tax Fund be pledged and dedicated to the retirement of the said bonds. Each month, there will be set aside into a fund called the "Bond and Interest Sinking Fund" the amount of \$2,105. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments.

The Town of Sunset is in compliance with the sinking fund requirements at June 30, 2018.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(12) Employee Retirement Systems

The Town participates in two cost-sharing defined benefit plans, each administered by separate public employee retirement systems. Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all plans administered by these public employee retirement systems to the State Legislature. These plans are not closed to new entrants. Substantially all Town employees participate in one of the following retirement systems

Plan Descriptions:

Municipal Employees' Retirement Systems (MERS) provides retirement, disability, and survivor benefits to eligible employees and their beneficiaries as defined in LRS 11:1731 and 11:1781. The Government participates in Plan A.

State of Louisiana - Municipal Police Employees' Retirement System (MPERS) provides retirement, disability, and survivor benefits to eligible employees and their beneficiaries as defined in LRS 11:2211 and 11:2220.

The systems' financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Interest income is recognized when earned.

A brief summary of eligibility and benefits of the plans are provided in the following table:

	<u>MERS</u>	<u>MPERS</u>
Final average salary	Final average compensation	Highest 36 months or 60 months ²
Years of service required and/or age eligible for benefits	25 years of any age 10 years age 60 20 years any age ¹	25 years of any age 20 years age 55 12 years age 55 20 years any age ¹ 30 years any age ³ 25 years age 55 ³ 10 years age 60 ³
Benefit percent per years of service	3.00%	2.50 - 3.33% ⁴

¹ With actuarial reduced benefits

² Membership commencing January 1, 2013

³ Under non hazardous duty sub plan commencing January 1, 2013

⁴ Membership commencing January 1, 2013 non hazardous duty plan 2.5%, hazardous duty plan 3.0%, membership prior to January 1, 2013 3.33%.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Contributions

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. Contributions of employees, employers, and non-employer contributing entities effective for the year ended June 30, 2018 for the defined benefit pension plans in which the Town is a participating employer were as follows:

Plan	Active Member Contribution Percentage	Employer Contribution Percentage	Nonemployer Contributing Entities	Government Contributions
MERS	9.50%	24.75%	\$ 7,729	\$ 56,402
MPERS	10.00%	30.75%	\$ 3,540	\$ 17,703

Net Pension Liability

The Town's net pension liability at June 30, 2018 is comprised of its proportionate share of the net pension liability relating to each of the cost-sharing plans in which the Town is a participating employer. The Town's net pension liability for each plan was measured as of the plan's measurement date (June 30, 2017 for both plans) 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 proportionate share of the net pension liability for each of the plans in which it participates was based on the Town's required contributions in proportion to total required contributions for all employers. As of the most recent measurement date, the Town's proportion for each plan and the change in proportion from the prior measurement date were as follows:

Plan	Proportionate Share of Net Pension Liability	Proportionate Share (%) of Net Pension Liability	Increase/(Decrease) from Prior Measurement Date
MERS	\$ 525,325	0.125573%	-0.006282%
MPERS	161,888	0.018543%	0.000939%
Total	\$ 687,213		

Since the measurement date of the net pension liability was June 30, 2017, the net pension liability is based upon fiduciary net position for each of the plans as of those dates. Detailed information about each pension plan's assets, deferred outflows, deferred inflows, and fiduciary net position that was used in the measurement of the Town's net pension liability is available in the separately issued plan financial reports for those fiscal years. The financial report for each plan may be accessed on their website as follows:

- MERS - <http://www.mersla.com/>
- MPERS - <http://lampers.org/>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Actuarial Assumptions

The following table provides information concerning actuarial assumptions used in the determination of the total pension liability for each of the defined benefit plans in which the primary government is a participating employer:

	MERS	MPERS
Date of experience study on which significant assumptions are based	7/1/2009 - 6/30/2014	7/1/2009 - 6/30/2014
Expected remaining service lives	3	4
Inflation Rate	2.775%	2.70%
Projected salary increases	5.0%	4.25% - 9.75%
Projected benefit changes including COLAs	None	None
Source of mortality assumptions	(1), (2), (3)	(3), (4), (5)

- (1) RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA for healthy annuitants and beneficiaries
- (2) RP-2000 Employees Sex Distinct Table set back 2 years for both males and females
- (3) RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females
- (4) RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by scale AA (set back 1 year for females) for healthy annuitants and beneficiaries
- (5) RP-2000 Employee Table set back 4 years for males and set back 3 years for females for active members

Cost of Living Adjustments

The pension plans in which the Town participates have the authority to grant cost-of-living adjustments (COLAs) on an ad hoc basis.

Pursuant to LRS 11:242(B), the power of the Board of Trustees of the statewide systems (MERS and MPERS) to grant a COLA is effective in calendar years that the legislature fails to grant a COLA, unless in the legislation granting a COLA, the legislature authorizes the Board of Trustees to provide an additional COLA. The authority to grant a COLA by the Board is subject to the funded status and interest earnings. The effects of the benefit changes made as a result of the COLAs is included in the measurement of the total pension liability as of the measurement date at which the ad hoc COLA was granted and the amount is known and reasonably estimable.

Discount Rate

The discount rates used to measure the Town's total pension liability for each plan and the significant assumptions used in the determination of the discount rate for each plan are as follows:

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

	<u>MERS</u>	<u>MPERS</u>
Discount rate	7.40%	7.325%
Change in discount rate from prior valuation	-0.10%	-0.175%
Plan cash flow assumptions	(1)	(1)
Rates incorporated in the Discount Rate:		
Long-term Rate of Return	7.40%	7.325%
Periods applied	All	All
Municipal Bond Rate	N/A	N/A

*Plan Cash Flow Assumptions:

- 1) Plan member contributions will be made at the current contributions rates and sponsor contributions will be made at the actuarially determined rates.

The discount rates used to measure the Town's total pension liability for each plan is equal to the long-term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits. For MERS and MPERS, the long-term expected rate of return for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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 target allocation and best estimates of arithmetic/geometric real rates of return for each major asset class are summarized for each plan in the following tables:

Asset Class	MERS*		MPERS*	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	35%	1.60%	21%	0.52%
Equities	50%	2.30%	53%	3.66%
Alternative Investments	15%	0.70%	20%	1.10%
Other	-	-	6%	0.16%
Totals	<u>100%</u>	<u>4.60%</u>	<u>100%</u>	<u>5.44%</u>
Inflation		<u>2.60%</u>		<u>2.75%</u>
Expected Nominal Return		<u>7.20%</u>		<u>8.19%</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Changes in the net pension liability may either be reported in pension expense in the year the change occurred or recognized as a deferred outflow of resources or a deferred inflow of resources in the year the change occurred and amortized into pension expense over several years. For the year ended June 30, 2018, the Town recognized \$92,957 and \$25,533 in pension expense related to the MERS and MPERS defined benefit plans, respectively.

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

	Deferred Outflows of Resources		
	MERS	MPERS	Total
Differences between expected and actual experiences	\$ -	\$ 1,060	\$ 1,060
Changes of assumptions	8,784	11,519	20,303
Net difference between projected and actual earnings on pension plan investments	105,932	7,087	113,019
Change in proportion and differences between employer contributions and proportionate share of contributions	9,087	5,369	14,456
Employer contributions subsequent to the measurement date	<u>56,402</u>	<u>17,789</u>	<u>74,191</u>
Total	<u>\$ 180,205</u>	<u>\$ 42,824</u>	<u>\$ 223,029</u>

	Deferred Inflows of Resources		
	MERS	MPERS	Total
Differences between expected and actual experiences	\$ 16,000	\$ 1,244	\$ 17,244
Change in proportion and differences between employer contributions and proportionate share of contributions	<u>13,462</u>	<u>4,079</u>	<u>17,541</u>
Total	<u>\$ 29,462</u>	<u>\$ 5,323</u>	<u>\$ 34,785</u>

Deferred outflows of resources of \$74,191 resulting from the employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions to be recognized in pension expense are as follows:

Year Ended June 30	MERS	MPERS	Total
6/30/2019	\$ 31,202	\$ 6,087	\$ 37,289
6/30/2020	35,405	9,851	45,256
6/30/2021	22,984	7,569	30,553
6/30/2022	<u>4,750</u>	<u>(3,795)</u>	<u>955</u>
	<u>\$ 94,341</u>	<u>\$ 19,712</u>	<u>\$ 114,053</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

Sensitivity of the Government's Proportional Share of the Net Pension Liabilities to Changes in the Discount Rate:

The following presents the Government's proportionate shares of the net pension liabilities of the plans, calculated using their respective discount rates, as well as what the Government's proportionate shares of the net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Plan	Current Discount Rate	Net Pension Liability		
		1% Decrease	Current Discount Rate	1% Increase
MERS	7.40%	\$ 669,438	\$ 525,325	\$ 402,400
MPERS	7.325%	223,664	161,888	110,063
Total		<u>\$ 893,102</u>	<u>\$ 687,213</u>	<u>\$ 512,463</u>

Payables to the Pension Plans

At June 30, 2018, the Town's payables were \$5,545 and \$1,805 to MERS and MPERS, respectively, for the month of June 2018, which were the contractually required contributions.

(13) On-Behalf Payment of Salaries

The State of Louisiana paid the Town's policemen and firemen \$25,516 and \$16,533, respectively, of supplemental pay during the year ended June 30, 2018. Such payments are recorded as intergovernmental revenues and public safety expenditures in the government-wide and General Fund financial statements.

(14) Operating Lease

In November 2016, the Town entered into an operating lease for a copier. The initial term of the lease is for five years commencing on the effective date and ending on November 2020 at a rate of \$75 per month. Lease expense related to the copier totaled \$900 for the year ended June 30, 2018.

Future minimum lease payments are as follows:

Year Ended June 30,	
2019	\$ 900
2020	900
2021	375
	<u>\$2,175</u>

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(15) Interfund Transactions

A. Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2018:

	<u>Receivable</u>	<u>Payable</u>
Major funds:		
Governmental funds:		
General Fund	\$142,239	\$152,309
Sales Tax Special Revenue Fund	139,825	-
Debt Service Fund	-	50,804
Proprietary fund:		
Utility Fund	<u>8,181</u>	<u>87,132</u>
Total	<u>\$290,245</u>	<u>\$290,245</u>

Transfers are recorded in the year in which they were budgeted. However, the amounts are not always paid in that same year. These balances are expected to be paid within the next fiscal year.

B. Interfund Transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
Governmental funds:		
General Fund	\$ 863,178	\$ -
Sales Tax Special Revenue Fund	-	766,838
Debt Service Fund	22,440	-
Proprietary fund:		
Utility Fund	<u>-</u>	<u>118,780</u>
Total	<u>\$ 885,618</u>	<u>\$ 885,618</u>

Transfers are made to the General Fund for the normal operations of the Town. The amounts each fund will transfer are calculated as part of the budget preparation process. These amounts reflect each fund's proportionate share of expenses paid out of the General Fund.

TOWN OF SUNSET, LOUISIANA

Notes to Basic Financial Statements (Continued)

(16) Risk Management

The Town is exposed to risks of loss in the areas of general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded coverage for the past three years.

(17) Pending Litigation

At June 30, 2018, the Town is involved in one lawsuit claiming damages. In the opinion of the Town's legal counsel, the only exposure to the Town would be any costs in defense of the lawsuit with no liability in excess of insurance coverage.

(18) Compensation of Board of Aldermen

A detail of compensation paid to the Board of Aldermen for the year ended June 30, 2018 follows:

Aldermen:

Bernice Smith	\$ 7,350
Craig Belson, Sr.	5,600
Cheryl Monroe	1,000
Robert L. Carmouche	4,550
Jarrold Shaw	6,100
Whitney Broussard II	<u>6,050</u>
	<u>\$ 30,650</u>

(19) Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Entity Head

Under Act 706, the Town of Sunset is required to disclose the compensation, reimbursements, benefits, and other payments made to the Mayor. The following is a schedule of payments made to the Mayor for the year ended June 30, 2018:

Salary	\$11,000
Conference travel	357
Per diem - meals	72
Travel	519

**REQUIRED SUPPLEMENTARY
INFORMATION**

TOWN OF SUNSET, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 262,250	\$ 270,408	\$ 274,751	\$ 4,343
Licenses and permits	115,000	125,000	140,835	15,835
Intergovernmental	85,790	98,756	105,402	6,646
Fines and forfeits	250,000	320,706	345,169	24,463
Miscellaneous	16,000	20,216	23,163	2,947
Total revenues	<u>729,040</u>	<u>835,086</u>	<u>889,320</u>	<u>54,234</u>
Expenditures:				
General government	418,107	436,996	447,834	(10,838)
Public safety -				
Police	671,395	696,102	696,311	(209)
Fire	134,443	168,843	169,322	(479)
Streets	241,214	233,281	234,966	(1,685)
Debt service	8,400	8,400	8,400	-
Capital outlay	8,000	77,515	82,955	(5,440)
Total expenditures	<u>1,481,559</u>	<u>1,621,137</u>	<u>1,639,788</u>	<u>(18,651)</u>
Deficiency of revenues over expenditures	<u>(752,519)</u>	<u>(786,051)</u>	<u>(750,468)</u>	<u>35,583</u>
Other financing sources (uses):				
Transfer from Sales Tax Fund	565,000	763,000	744,398	(18,602)
Transfer from Utility Fund	200,000	133,843	118,780	(15,063)
Total other financing sources (uses)	<u>765,000</u>	<u>896,843</u>	<u>863,178</u>	<u>(33,665)</u>
Net change in fund balances	12,481	110,792	112,710	1,918
Fund balance, beginning	<u>272,374</u>	<u>272,374</u>	<u>272,374</u>	<u>-</u>
Fund balance, ending	<u>\$ 284,855</u>	<u>\$ 383,166</u>	<u>\$ 385,084</u>	<u>\$ 1,918</u>

TOWN OF SUNSET, LOUISIANA
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 600,000	\$ 673,590	\$ 677,796	\$ 4,206
Miscellaneous - interest and other	500	500	289	(211)
Total revenues	<u>600,500</u>	<u>674,090</u>	<u>678,085</u>	<u>3,995</u>
Expenditures:				
General government -				
Collection fees	6,000	6,510	5,119	1,391
Professional fees	3,500	4,590	5,192	(602)
Miscellaneous	-	-	51	(51)
Total general government	<u>9,500</u>	<u>11,100</u>	<u>10,362</u>	<u>738</u>
Excess of revenues over expenditures	<u>591,000</u>	<u>662,990</u>	<u>667,723</u>	<u>4,733</u>
Other financing uses:				
Transfer to General Fund	(565,000)	(763,000)	(744,398)	18,602
Transfer to Debt Service Fund	(25,261)	(25,261)	(22,440)	2,821
Total other financing uses	<u>(590,261)</u>	<u>(788,261)</u>	<u>(766,838)</u>	<u>21,423</u>
Net change in fund balance	739	(125,271)	(99,115)	26,156
Fund balance, beginning	<u>427,567</u>	<u>427,567</u>	<u>427,567</u>	<u>-</u>
Fund balance, ending	<u>\$ 428,306</u>	<u>\$ 302,296</u>	<u>\$ 328,452</u>	<u>\$ 26,156</u>

TOWN OF SUNSET, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
For the Year Ended June 30, 2018

<u>Plan</u>	<u>Year Ended June 30,</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
MERS	2018	\$ 525,325	0.125573%	\$ 228,047	230.36%	62.49%
	2017	540,435	0.131855%	235,886	229.11%	62.11%
	2016	438,193	0.122669%	209,368	209.29%	66.18%
	2015	317,185	0.123589%	185,377	171.10%	73.99%
MPERS	2018	\$ 161,888	0.018543%	\$ 57,570	281.20%	70.08%
	2017	164,999	0.017604%	49,311	334.61%	66.04%
	2016	144,419	0.018435%	49,311	292.87%	70.73%
	2015	118,509	0.018943%	48,937	242.17%	75.10%

* The amounts presented have a measurement date of the previous fiscal year end.

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

TOWN OF SUNSET, LOUISIANA

Schedule of Employer Pension Contributions
For the Year Ended June 30, 2018

<u>Plan</u>	<u>Year Ended June 30,</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 % of Covered Employee Payroll</u>
MERS	2018	\$ 56,402	\$ 56,402	\$ -	\$ 227,885	24.75%
	2017	51,881	51,881	-	228,047	22.75%
	2016	46,589	46,589	-	235,886	19.75%
	2015	41,350	41,350	-	209,368	19.75%
MPERS	2018	\$ 17,703	\$ 17,703	\$ -	57,570	30.75%
	2017	18,279	18,279	-	57,570	31.75%
	2016	14,547	14,547	-	49,311	29.50%
	2015	15,533	15,533	-	49,311	31.50%

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

TOWN OF SUNSET, LOUISIANA

Notes to the Required Supplementary Information For the Year Ended June 30, 2018

(1) Budget and Budgetary Accounting

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

1. The Town Clerk submits, no later than 15 days prior to the beginning of each fiscal year, to the Mayor and Board of Aldermen a proposed operating budget.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board of Aldermen.

(2) Pension Plans

Changes of Assumptions - Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plans. These assumptions include the rate of investment return, mortality of plan members, rate of salary increase, rates of retirement, rates of termination, rates of disability, and various other factors that have an impact on the cost of the plans.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SUNSET, LOUISIANA

Statement of Net Position
 June 30, 2018
 With Comparative Totals for June 30, 2017

	2018			2017 Totals
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash and interest-bearing demand deposits	\$ 652,091	\$ 101,431	\$ 753,522	\$ 842,775
Investments	7,891	1,060	8,951	8,934
Receivables, net	70,079	51,219	121,298	80,800
Internal balances	78,951	(78,951)	-	-
Due from other governmental units	5,628	-	5,628	10,326
Total current assets	<u>814,640</u>	<u>74,759</u>	<u>889,399</u>	<u>942,835</u>
Noncurrent assets:				
Restricted assets:				
Cash and interest-bearing demand deposits	-	93,505	93,505	88,751
Interest-bearing time deposits	-	26,220	26,220	26,164
Capital assets, net	<u>1,302,348</u>	<u>1,784,262</u>	<u>3,086,610</u>	<u>2,632,733</u>
Total noncurrent assets	<u>1,302,348</u>	<u>1,903,987</u>	<u>3,206,335</u>	<u>2,747,648</u>
Total assets	<u>2,116,988</u>	<u>1,978,746</u>	<u>4,095,734</u>	<u>3,690,483</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>195,367</u>	<u>27,662</u>	<u>223,029</u>	<u>267,397</u>
LIABILITIES				
Current liabilities:				
Accounts, salaries and other payables	90,438	91,232	181,670	223,465
Customers deposits payable	-	119,725	119,725	114,915
Capital lease payable	2,400	-	2,400	2,400
Loans payable	4,101	14,180	18,281	6,000
Bonds payable	<u>16,000</u>	<u>-</u>	<u>16,000</u>	<u>15,000</u>
Total current liabilities	<u>112,939</u>	<u>225,137</u>	<u>338,076</u>	<u>361,780</u>
Noncurrent liabilities:				
Capital lease payable	1,599	-	1,599	3,999
Loans payable	-	352,825	352,825	4,101
Bonds payable	136,000	-	136,000	152,000
Net pension liability	<u>606,576</u>	<u>80,637</u>	<u>687,213</u>	<u>705,434</u>
Total noncurrent liabilities	<u>744,175</u>	<u>433,462</u>	<u>1,177,637</u>	<u>865,534</u>
Total liabilities	<u>857,114</u>	<u>658,599</u>	<u>1,515,713</u>	<u>1,227,314</u>
DEFERRED INFLOWS OF RESOURCES	<u>30,174</u>	<u>4,611</u>	<u>34,785</u>	<u>27,902</u>
NET POSITION				
Net investment in capital assets	1,146,349	1,366,992	2,513,341	2,361,743
Restricted for sales tax dedications	328,452	-	328,452	427,567
Restricted for debt service	10,666	-	10,666	10,000
Unrestricted (deficit)	<u>(60,400)</u>	<u>(23,794)</u>	<u>(84,194)</u>	<u>(96,646)</u>
Total net position	<u>\$ 1,425,067</u>	<u>\$ 1,343,198</u>	<u>\$ 2,768,265</u>	<u>\$ 2,702,664</u>

TOWN OF SUNSET, LOUISIANA

Balance Sheet
 General and Special Revenue Funds
 June 30, 2018
 With Comparative Totals for June 30, 2017

	General		Sales Tax Special Revenue	
	2018	2017	2018	2017
ASSETS				
Cash and interest-bearing demand deposits	\$ 400,888	\$ 309,809	\$ 188,627	\$ 352,567
Interest-bearing time deposits	7,891	7,874	-	-
Receivables:				
Ad valorem taxes	1,856	2,546	-	-
Franchise taxes	27,035	28,797	-	-
Due from other governmental units	5,628	10,326	-	-
Due from other funds	142,239	69,615	139,825	75,000
Other	41,188	7,520	-	-
Total assets	<u>\$ 626,725</u>	<u>\$ 436,487</u>	<u>\$ 328,452</u>	<u>\$ 427,567</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 32,213	\$ 45,493	\$ -	\$ -
Salaries and related benefits	31,759	26,725	-	-
Cash bonds payable	25,360	16,895	-	-
Due to other funds	152,309	75,000	-	-
Total liabilities	<u>241,641</u>	<u>164,113</u>	<u>-</u>	<u>-</u>
Fund balances -				
Restricted:				
Sales tax dedications	-	-	328,452	427,567
Unassigned	385,084	272,374	-	-
Total fund balances	<u>385,084</u>	<u>272,374</u>	<u>328,452</u>	<u>427,567</u>
 Total liabilities and fund balances	 <u>\$ 626,725</u>	 <u>\$ 436,487</u>	 <u>\$ 328,452</u>	 <u>\$ 427,567</u>

TOWN OF SUNSET, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			Variance with Final Budget Positive (Negative)	2017 Actual
	Budget		Actual		
	Original	Final			
Taxes:					
Ad valorem	\$ 130,000	\$ 129,000	\$ 132,200	\$ 3,200	\$ 133,213
Payments in lieu of taxes	10,500	10,500	9,962	(538)	20,690
Franchise -					
Electric	118,000	127,000	127,524	524	120,954
Cable television	1,000	1,008	2,212	1,204	2,137
Telephone	2,750	2,900	2,853	(47)	3,513
Total taxes	<u>262,250</u>	<u>270,408</u>	<u>274,751</u>	<u>4,343</u>	<u>280,507</u>
Licenses and permits	<u>115,000</u>	<u>125,000</u>	<u>140,835</u>	<u>15,835</u>	<u>134,352</u>
Intergovernmental:					
Federal -					
Comprehensive Resiliency Program	-	-	-	-	38,578
State of Louisiana -					
Beer taxes	5,500	5,450	5,188	(262)	5,959
Fire insurance rebate	9,400	9,400	9,295	(105)	10,131
Racino income	35,000	39,000	42,830	3,830	44,052
On-behalf payments	30,000	39,016	42,049	3,033	33,966
Grass cutting	5,890	5,890	6,040	150	5,890
State grants	-	-	-	-	17,417
Total intergovernmental	<u>85,790</u>	<u>98,756</u>	<u>105,402</u>	<u>6,646</u>	<u>155,993</u>
Fines and forfeits					
Court fines	150,000	154,715	168,603	13,888	178,146
Step tickets	100,000	165,991	176,566	10,575	120,595
Total fines and forfeits	<u>250,000</u>	<u>320,706</u>	<u>345,169</u>	<u>24,463</u>	<u>298,741</u>
Miscellaneous:					
Community Center	3,000	5,065	6,540	1,475	9,430
First response donations	3,000	4,075	3,921	(154)	3,718
Miscellaneous donations	-	1,000	4,329	3,329	1,000
Proceeds from sale of capital assets	-	245	-	(245)	776
Interest income	-	-	250	250	-
Other miscellaneous revenue	10,000	9,831	8,123	(1,708)	7,643
Total miscellaneous	<u>16,000</u>	<u>20,216</u>	<u>23,163</u>	<u>2,947</u>	<u>22,567</u>
Total revenues	<u>\$ 729,040</u>	<u>\$ 835,086</u>	<u>\$ 889,320</u>	<u>\$ 54,234</u>	<u>\$ 892,160</u>

TOWN OF SUNSET, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018				
	Budget		Actual	Variance with	2017 Actual
	Original	Final		Final Budget Positive (Negative)	
Current:					
General government -					
Salaries - Mayor and council	\$ 43,000	\$ 41,310	\$ 41,650	\$ (340)	\$ 43,000
Salaries - clerical	107,245	109,865	113,934	(4,069)	105,526
Salaries - park	-	-	-	-	110
Payroll taxes	11,176	11,531	11,509	22	10,770
Retirement	25,686	25,688	26,583	(895)	22,664
Office supplies and postage	30,000	26,791	32,490	(5,699)	32,515
Conventions and meetings	5,000	16,007	6,217	9,790	6,743
Advertising and publications	4,000	6,493	3,668	2,825	3,598
Preparation of tax roll	2,500	6,322	6,322	-	2,198
Insurance	90,000	96,360	96,025	335	107,711
Legal and professional	22,500	23,391	23,481	(90)	32,344
Accounting and audit	25,000	16,710	18,924	(2,214)	14,616
Consulting	5,000	14,932	16,125	(1,193)	18,598
Miscellaneous	10,500	1,179	5,680	(4,501)	7,361
Repairs and maintenance	10,000	6,695	12,475	(5,780)	18,038
Telephone	10,000	15,427	20,961	(5,534)	11,422
Utilities	3,500	4,079	8,100	(4,021)	7,496
Coroner's fees	1,000	1,300	1,350	(50)	1,150
Community Center	12,000	12,916	-	12,916	586
Rent expense	-	-	2,340	(2,340)	3,000
Total general government	<u>418,107</u>	<u>436,996</u>	<u>447,834</u>	<u>(10,838)</u>	<u>449,446</u>
Public safety - police -					
Salaries	387,080	359,946	370,710	(10,764)	398,705
On-behalf salaries	24,000	27,016	25,516	1,500	26,633
Payroll taxes	29,612	29,588	30,186	(598)	30,578
Retirement	17,703	17,703	17,789	(86)	18,278
Accounting and audit	-	2,760	3,126	(366)	-
Office supplies	17,000	21,960	19,753	2,207	17,955
Materials and supplies	3,500	6,816	6,134	682	3,024
Drug testing	1,000	1,040	1,036	4	1,078
Utilities	3,500	3,544	3,392	152	3,529
Repairs and maintenance	2,000	2,417	3,664	(1,247)	2,201
Auto expense	20,000	25,068	21,623	3,445	26,597
Gasoline	15,000	14,212	17,568	(3,356)	16,632
Uniforms	1,000	4,120	3,392	728	1,482
Insurance	89,500	95,824	95,491	333	96,825
Telephone	7,000	8,680	10,059	(1,379)	5,894
Conventions and meetings	500	459	344	115	220
Prisoner meals	500	248	269	(21)	716
Radio and radar expense	500	-	581	(581)	560
Miscellaneous	2,000	1,287	2,076	(789)	2,904
Indigent defender expense	50,000	73,414	63,602	9,812	46,139
Total public safety - police	<u>671,395</u>	<u>696,102</u>	<u>696,311</u>	<u>(209)</u>	<u>699,950</u>

(continued)

TOWN OF SUNSET, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (Continued)
For the Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018		Actual	Variance with Final Budget Positive (Negative)	2017 Actual
	Budget				
	Original	Final			
Public safety - fire -					
Salaries	54,560	61,325	62,667	(1,342)	44,187
On behalf salaries	6,000	12,000	16,533	(4,533)	7,333
Payroll taxes	4,633	5,600	6,076	(476)	4,417
Accounting and audit	-	2,760	3,126	(366)	-
Materials and supplies	15,000	30,000	27,539	2,461	28,086
Utilities	3,000	2,851	2,708	143	3,749
Repairs and maintenance	15,000	14,250	10,320	3,930	22,715
Radio and radar expense	-	361	361	-	-
Insurance	24,000	25,696	25,607	89	21,507
Telephone	7,500	6,646	6,841	(195)	5,454
Gasoline	3,000	5,305	5,781	(476)	3,620
Uniforms	250	89	67	22	893
Miscellaneous	1,500	1,960	1,696	264	943
Total public safety - fire	<u>134,443</u>	<u>168,843</u>	<u>169,322</u>	<u>(479)</u>	<u>142,904</u>
Public works - streets -					
Salaries	105,027	88,117	89,449	(1,332)	102,404
Payroll taxes	8,035	6,719	6,913	(194)	7,693
Retirement	24,152	21,836	21,161	675	21,214
Accounting and audit	-	2,760	3,858	(1,098)	-
Materials and supplies	7,500	8,179	9,094	(915)	6,856
Auto and truck expense	5,000	7,195	6,917	278	5,043
Gasoline	4,000	2,824	3,432	(608)	2,660
Repairs and maintenance	3,000	3,209	2,729	480	3,157
Insurance	30,000	32,120	32,008	112	28,050
Telephone	-	-	541	(541)	-
Uniforms	500	1,973	2,141	(168)	1,093
Utilities	40,000	41,544	40,742	802	41,341
Tractor and backhoe expense	5,000	10,321	8,034	2,287	10,508
Miscellaneous	2,000	3,852	3,189	663	2,124
Shell, gravel and dirt	2,500	448	336	112	1,000
Animal control expenses	500	131	98	33	480
Station	2,500	2,053	1,747	306	1,978
Engineering services	1,500	-	2,577	(2,577)	6,673
Total public works - streets	<u>241,214</u>	<u>233,281</u>	<u>234,966</u>	<u>(1,685)</u>	<u>242,274</u>
Debt service -					
Principal payments	<u>8,400</u>	<u>8,400</u>	<u>8,400</u>	<u>-</u>	<u>8,400</u>
Capital outlay:					
General government -					
Equipment - Community Center	8,000	4,669	7,983	(3,314)	38,578
Public safety -					
Police	-	67,846	69,972	(2,126)	29,879
Fire	-	5,000	5,000	-	-
Total capital outlay	<u>8,000</u>	<u>77,515</u>	<u>82,955</u>	<u>(5,440)</u>	<u>68,457</u>
Total expenditures	<u>\$ 1,481,559</u>	<u>\$ 1,621,137</u>	<u>\$ 1,639,788</u>	<u>\$ (18,651)</u>	<u>\$ 1,611,431</u>

TOWN OF SUNSET, LOUISIANA
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			Variance with Final Budget Positive (Negative)	2017 Actual
	Budget		Actual		
	Original	Final			
Revenues:					
Taxes	\$ 600,000	\$ 673,590	\$ 677,796	\$ 4,206	\$ 605,993
Miscellaneous - interest and other	500	500	289	(211)	576
Total revenues	<u>600,500</u>	<u>674,090</u>	<u>678,085</u>	<u>3,995</u>	<u>606,569</u>
Expenditures:					
General government -					
Collection fees	6,000	6,510	5,119	1,391	5,823
Professional fees	3,500	4,590	5,192	(602)	2,666
Miscellaneous	-	-	51	(51)	-
Total general government	<u>9,500</u>	<u>11,100</u>	<u>10,362</u>	<u>738</u>	<u>8,489</u>
Excess of revenues over expenditures	<u>591,000</u>	<u>662,990</u>	<u>667,723</u>	<u>4,733</u>	<u>598,080</u>
Other financing uses:					
Transfer to General Fund	(565,000)	(763,000)	(744,398)	18,602	(572,334)
Transfer to Debt Service Fund	<u>(25,261)</u>	<u>(25,261)</u>	<u>(22,440)</u>	<u>2,821</u>	<u>(25,261)</u>
Total other financing uses	<u>(590,261)</u>	<u>(788,261)</u>	<u>(766,838)</u>	<u>21,423</u>	<u>(597,595)</u>
Net change in fund balance	739	(125,271)	(99,115)	26,156	485
Fund balance, beginning	<u>427,567</u>	<u>427,567</u>	<u>427,567</u>	-	<u>427,082</u>
Fund balance, ending	<u>\$ 428,306</u>	<u>\$ 302,296</u>	<u>\$ 328,452</u>	<u>\$ 26,156</u>	<u>\$ 427,567</u>

TOWN OF SUNSET, LOUISIANA
Debt Service Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018		Actual	Variance with Final Budget Positive (Negative)	2017 Actual
	Budget				
	Original	Final			
Revenues:					
Miscellaneous - interest and other	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Debt service -					
Principal	15,000	15,000	15,000	-	14,000
Interest	6,911	6,866	6,865	1	7,390
Total debt service	<u>21,911</u>	<u>21,866</u>	<u>21,865</u>	<u>1</u>	<u>21,390</u>
Deficiency of revenues over expenditures	<u>(21,911)</u>	<u>(21,866)</u>	<u>(21,865)</u>	<u>1</u>	<u>(21,390)</u>
Other financing sources (uses):					
Transfer from Sales Tax Fund	25,261	25,261	22,440	(2,821)	25,261
Transfer to General Fund	-	-	-	-	(3,287)
Total other financing sources (uses)	<u>25,261</u>	<u>25,261</u>	<u>22,440</u>	<u>(2,821)</u>	<u>21,974</u>
Net change in fund balance	3,350	3,395	575	(2,820)	584
Fund balance, beginning	<u>11,197</u>	<u>11,197</u>	<u>11,197</u>	-	<u>10,613</u>
Fund balance, ending	<u>\$ 14,547</u>	<u>\$ 14,592</u>	<u>\$ 11,772</u>	<u>\$ (2,820)</u>	<u>\$ 11,197</u>

TOWN OF SUNSET, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers
(Unaudited)
June 30, 2018 and 2017

Records maintained by the Town indicated the following number of customers were being serviced during the months of June 30, 2018 and 2017:

<u>Department</u>	<u>2018</u>	<u>2017</u>
Gas (metered)	431	435
Water (metered)	1,255	1,255
Sewer	1,084	1,083

TOWN OF SUNSET, LOUISIANA

Schedule of Insurance in Force
(Unaudited)
June 30, 2018

<u>Description of Coverage</u>	<u>Coverage Amounts</u>
Workmen's compensation - Employer's liability	\$ 500,000
Commercial general liability	500,000
Law enforcement officers' liability	500,000
Public officials' errors and omissions liability	500,000
Business auto liability	500,000
Commercial Property	550,000
Property damage -	
Fire station:	224,145
Real property	48,030
Personal property	
Building:	
Real property	2,214,764
Personal property	421,600
Contractors' equipment	44,000
Employee theft	180,000
Auto liability -	
General	1,500,000
Fire department	1,000,000
Accident and sickness -	
Fire department	50,000
Police department	50,000

TOWN OF SUNSET, LOUISIANA

Comparative Statement of Net Position
 Enterprise Fund
 Utility Fund
 June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and interest-bearing demand deposits	\$ 101,431	\$ 121,219
Interest-bearing time deposits	1,060	1,060
Accounts receivable, net	51,219	41,937
Due from other funds	<u>8,181</u>	<u>-</u>
Total current assets	<u>161,891</u>	<u>164,216</u>
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing demand deposits	93,505	88,751
Interest-bearing time deposits	26,220	26,164
Capital assets, net of accumulated depreciation	<u>1,784,262</u>	<u>1,317,145</u>
Total noncurrent assets	<u>1,903,987</u>	<u>1,432,060</u>
Total assets	<u>2,065,878</u>	<u>1,596,276</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	<u>27,662</u>	<u>33,090</u>
LIABILITIES		
Current liabilities:		
Accounts payable	35,088	33,372
Contracts payable	13,406	61,690
Retainage payable	36,859	35,901
Accrued liabilities	5,879	2,192
Due to other funds	87,132	21,632
Customers' deposits	119,725	114,915
Loan payable	<u>14,180</u>	<u>-</u>
Total current liabilities	<u>312,269</u>	<u>269,702</u>
Noncurrent liabilities:		
Loan payable	352,825	-
Net pension liability	<u>80,637</u>	<u>83,876</u>
Total noncurrent liabilities	<u>433,462</u>	<u>83,876</u>
Total liabilities	<u>745,731</u>	<u>353,578</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	<u>4,611</u>	<u>2,971</u>
NET POSITION		
Net investment in capital assets	1,366,992	1,219,554
Unrestricted (deficit)	<u>(23,794)</u>	<u>53,263</u>
Total net position	<u>\$ 1,343,198</u>	<u>\$ 1,272,817</u>

TOWN OF SUNSET, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Departmental Statement of Revenues and Expenses
Years Ended June 30, 2018 and 2017

	Totals		Gas	
	2018	2017	2018	2017
Operating revenues:				
Charges for services -				
Billings to customers	\$ 631,197	\$ 557,656	\$ 255,415	\$ 188,916
Gas, water, and sewer taps	3,875	4,252	1,200	1,202
Delinquent charges	22,090	20,853	9,309	6,234
Other fees	21,086	18,719	1,563	3,087
Total operating revenues	<u>678,248</u>	<u>601,480</u>	<u>267,487</u>	<u>199,439</u>
Operating expenses:				
Salaries	69,120	52,602	23,040	17,534
Payroll taxes	5,226	4,032	1,742	1,344
Retirement	13,673	2,355	4,558	785
Meter reading	21,821	25,073	10,911	11,591
Gas purchases	75,526	49,990	75,526	49,990
Survey and analysis expense	10,097	32,441	2,500	15,397
Materials and supplies	29,060	27,231	5,496	4,198
State mandated water fee	15,199	9,786	-	-
Office supplies and postage	8,524	6,012	3,918	2,753
Repairs and maintenance	64,773	56,460	1,487	1,606
Insurance	43,847	39,317	7,972	7,335
Utilities	49,563	44,500	704	695
Telephone	6,797	6,230	623	619
Auto expense	6,776	5,274	2,031	1,758
Accounting and audit	21,114	14,877	6,953	4,959
Engineering	25,634	7,477	-	-
Contract labor	1,343	390	150	-
Seminars and conventions	6,248	-	6,248	-
Miscellaneous	24,795	9,052	9,258	2,280
Depreciation	82,851	89,071	2,152	2,152
Total operating expenses	<u>581,987</u>	<u>482,170</u>	<u>165,269</u>	<u>124,996</u>
Operating income (loss)	<u>96,261</u>	<u>119,310</u>	<u>\$ 102,218</u>	<u>\$ 74,443</u>
Nonoperating revenues (expenses):				
Interest income	195	74		
Non-employer pension contribution	1,186	1,240		
Interest expense	(232)	-		
Total nonoperating revenues (expenses)	<u>1,149</u>	<u>1,314</u>		
Income before contributions and transfers	97,410	120,624		
Capital contributions	91,751	550,897		
Transfers:				
Transfers to General Fund	(118,780)	(144,841)		
Change in net position	70,381	526,680		
Net position, beginning	<u>1,272,817</u>	<u>746,137</u>		
Net position, ending	<u>\$ 1,343,198</u>	<u>\$ 1,272,817</u>		

Water		Sewer	
2018	2017	2018	2017
\$ 233,599	\$ 224,256	\$ 142,183	\$ 144,484
2,275	2,700	400	350
10,786	11,668	1,995	2,951
<u>16,796</u>	<u>14,134</u>	<u>2,727</u>	<u>1,498</u>
<u>263,456</u>	<u>252,758</u>	<u>147,305</u>	<u>149,283</u>
23,040	17,534	23,040	17,534
1,742	1,344	1,742	1,344
4,558	785	4,557	785
10,910	13,482	-	-
-	-	-	-
3,750	13,144	3,847	3,900
23,161	21,486	403	1,547
15,199	9,786	-	-
4,606	3,259	-	-
11,543	6,211	51,743	48,643
25,910	23,473	9,965	8,509
18,433	17,699	30,426	26,106
5,551	4,993	623	618
2,714	1,758	2,031	1,758
7,208	4,959	6,953	4,959
19,830	3,891	5,804	3,586
693	390	500	-
-	-	-	-
11,585	5,135	3,952	1,637
<u>45,111</u>	<u>47,399</u>	<u>35,588</u>	<u>39,520</u>
<u>235,544</u>	<u>196,728</u>	<u>181,174</u>	<u>160,446</u>
<u>\$ 27,912</u>	<u>\$ 56,030</u>	<u>\$ (33,869)</u>	<u>\$ (11,163)</u>

**INTERNAL CONTROL,
COMPLIANCE, AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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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*

* A Professional Accounting Corporation

The Honorable Charles James, Mayor
and members of the Board of Aldermen
Town of Sunset, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Governmental 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 Sunset, Louisiana (Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 25, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 2018-001 through 2018-003 to be material weaknesses.

Compliance and Other Matters

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

Town of Sunset, Louisiana's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
October 25, 2018

TOWN OF SUNSET, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2018

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (06/30/18) --						
<u>Internal Control:</u>						
2018-001	2016	Due to the small number of employees, the Town did not have adequate segregation of functions within the accounting system.	No	Management has determined that it is not cost effective to achieve complete segregation of duties within the accounting department.	Tonya Amos, Town Clerk	N/A
2018-002	2016	The Town does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	No	The Town has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Tonya Amos, Town Clerk	N/A
2018-003	2016	During the audit, numerous audit adjustments were made for accounts that were not reconciled to the general ledger. All balance sheet accounts should be reconciled to supporting schedules on a monthly basis.	No	All balance sheet accounts will be reconciled to supporting schedules and reconciliations on a monthly basis and adjusted to the general ledger on a monthly basis.	Tonya Amos, Town Clerk	6/30/2019
<u>Compliance:</u>						
2018-004	2017	The Town's employee did not complete the annual ethics training in accordance with Louisiana Revised Statute 42:1170.	No	Management will adhere to their adopted policies and procedures and ensure each employee participates in the required one hour of education and training on the Code of Governmental Ethics.	Tonya Amos, Town Clerk	6/30/2019

(continued)

TOWN OF SUNSET, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended June 30, 2018

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
CURRENT YEAR (06/30/18) (Continued) --						
<u>Management Letter:</u>						
2018-005	2016	In order to maximize water revenues, the Town should compare the gallons of water consumed from the monthly billing reports to the amount being pumped from the water well. Any significant variances should be investigated and corrected.	No	The Town will implement policies and procedures to determine that the gallons of water pumped from the well is being compared to the gallons consumed on a monthly basis. A monthly water loss percentage will be calculated and significant variances will be investigated and corrected.	Tonya Amos, Town Clerk	6/30/2019
2018-006	2016	The Town's gas loss percentage decreased from an average of 36.4% to 31.6% from 2017 to 2018. Management should closely monitor the gas purchases and consumption to reduce future gas losses.	No	The Town is in the process of replacing gas meters and will monitor the gas loss on a monthly basis. Gas purchases and monthly consumption will be closely monitored and significant variances will be investigated.	Tonya Amos, Town Clerk	6/30/2019
2018-007	2018	The Town's sewer department experienced an operating loss of \$33,869 for the year ended June 30, 2018. The Town should consider increasing rates and/or decreasing expenses in order to operate on a profitable basis.	No	Effective July 1, 2018, the Board approved a rate increase for all utility services. Additionally, management will continually monitor the operating expenses in this department and make reductions when necessary.	Tonya Amos, Town Clerk	6/30/2019

(continued)

TOWN OF SUNSET, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended June 30, 2018

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
<u>PRIOR YEAR (06/30/17) --</u>						
<u>Internal Control:</u>						
2017-001	2016	Due to the small number of employees, the Town did not have adequate segregation of functions within the accounting system.	No	It was determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.	Tonya Amos, Town Clerk	N/A
2017-002	2016	The Town does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	No	The Town has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Tonya Amos, Town Clerk	N/A
2017-003	2016	During the audit, numerous audit adjustments were made for accounts that were not reconciled to the general ledger. All balance sheet accounts should be reconciled to supporting schedules on a monthly basis.	No	All balance sheet accounts will be reconciled to supporting schedules and reconciliations on a monthly basis and adjusted to the general ledger on a monthly basis.	Tonya Amos, Town Clerk	6/30/2018
2017-004	2017	The Town does not have adequate controls in place to ensure cash collections have proper supporting documentation maintained within their accounting records.	Yes	Management will ensure cash collections are completely supported with proper documentation. Additionally, the supporting documentation will be maintained with the corresponding bank deposit.	Tonya Amos, Town Clerk	6/30/2018

(continued)

TOWN OF SUNSET, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended June 30, 2018

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
PRIOR YEAR (06/30/17) (Continued) --						
<u>Compliance:</u>						
2017-005	2017	The Town's employees did not complete their annual ethics training in accordance with Louisiana Revised Statute 42:1170.	No	Management will adhere to their adopted policies and procedures and ensure each employee participates in the required one hour of education and training on the Code of Governmental Ethics.	Tonya Amos, Town Clerk	6/30/2018
<u>Management Letter:</u>						
2017-006	2016	In order to maximize water revenues, the Town should compare the gallons of water consumed from the monthly billing reports to the amount being pumped from the water well. Any significant variances should be investigated and corrected.	No	The Town will implement policies and procedures to determine that the gallons of water pumped from the well is being compared to the gallons consumed on a monthly basis. A monthly water loss percentage will be calculated and significant variances will be investigated and corrected.	Tonya Amos, Town Clerk	6/30/2018
2017-007	2016	The Town's gas loss percentage increased from an average of 23% to 36.4% from 2016 to 2017. Management should closely monitor the gas purchases and consumption to reduce future gas losses.	No	The Town will monitor the gas loss on a monthly basis. Gas purchases and monthly consumption will be closely monitored and significant variances will be investigated.	Tonya Amos, Town Clerk	6/30/2018
2017-008	2016	Purchase orders were not properly completed and authorized prior to payment. Management should adhere to their policies and procedures.	Yes	The Town will adhere to its purchasing procedures by ascertaining that purchase orders are properly completed and authorized prior to payment.	Tonya Amos, Town Clerk	6/30/2018

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MANAGEMENT LETTER

WWW.KCSRCPAS.COM

The Honorable Charles James, Mayor
and Members of the Board of Aldermen
Town of Sunset, Louisiana

During our audit of the basic financial statements of the Town of Sunset for the year ended June 30, 2018, we noted areas in which the efficiency and effectiveness of the operations of the Town could be improved. Items 1 through 3 were also included in our management letter dated October 20, 2017 relative to the audit of the basic financial statements for the year ended June 30, 2017 but are re-emphasized below:

1. In order to maximize water revenues, the Town should compare the gallons of water consumed from the monthly billing reports to the amount being pumped from the water well. Any significant variances should be investigated and corrected.
2. The Town's gas loss percentage decreased from an average of 36.4% to 31.6% from 2017 to 2018. Management should closely monitor the gas purchases and consumption to reduce future gas losses.
3. The Town's sewer department experienced an operating loss of \$33,869 for the year ended June 30, 2018. The Town should consider increasing utility rates and/or decreasing expenses in order to operate on a profitable basis.

We would like to express our appreciation to you and your staff, particularly your office staff, for the courtesies and assistance rendered to us in the performance of our audit. Should you have any questions or need assistance please feel free to contact us.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
October 25, 2018

TOWN OF SUNSET

Sunset, Louisiana

Agreed-Upon Procedures Report

Year Ended June 30, 2018

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

* A Professional Accounting Corporation

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To the Mayor and Board of Aldermen of the
Town of Sunset, Louisiana and the
Louisiana Legislative Auditor

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

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

The procedures and associated findings are as follows:

Written Policies and Procedures

(The following procedures were not performed since there were no exceptions in the prior year.)

1. Obtained and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board or Finance Committee

- 2. We obtained and inspected 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) Observed 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.
 - b) Observed that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds
 - c) Obtained 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, observed 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.

Bank Reconciliations

- 3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. We asked management to identify the entity's main operating account. We selected the entity's main operating account and randomly selected 4 additional accounts (or all accounts if less than 5). We randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for selected accounts, and observed that:
 - a) Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations included evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections

4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. We selected the entity's only deposit site for testing.
5. For the deposit site selected, we obtained a listing of collection locations and management's representation that the listing is complete. We selected the one collection location for the deposit site, obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at the collection location, and observed that job duties are properly segregated at the collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. We randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtained supporting documentation for each of the 10 deposits and:
 - a) We observed that receipts are sequentially pre-numbered.
 - b) We traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) We traced the deposit slip total to the actual deposit per the bank statement.
 - d) We observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) We traced the actual deposit per the bank statement to the general ledger.
8. We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. We selected the one location that processes payments.

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

9. For each location selected under #8 above, we obtained a listing of those employees involved with non-payroll purchasing and payment functions. We obtained 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 observed that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. We randomly selected 5 disbursements for each location, obtained supporting documentation for each transaction and:
 - a) We observed that the disbursement matched the related original invoice/billing statement.
 - b) We observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

(The following procedures were not performed since there were no exceptions in the prior year.)

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

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

14. We obtained 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. We randomly selected 5 reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, we agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) We observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, we observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) We observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

(The following procedures were not performed since there were no exceptions in the prior year.)

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected 5 employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

17. We randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, we obtained attendance records and leave documentation for the pay period, and:
 - a) We observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) We observed that supervisors approved the attendance and leave of the selected employees/officials.
 - c) We observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. We randomly selected 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 agreed the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. We obtained 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.

Ethics

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

Debt Service

(The following procedures were not performed since there were no exceptions in the prior year.)

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Other

23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. We observed that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions:

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

Board or Finance Committee

1. There was no reference to monthly financial statements in any of the board minutes during the fiscal year.

Management's response: The entity will make reference to the monthly financial statements in the board minutes.

Bank Reconciliations:

2. For all of the five bank accounts selected, there was no evidence of management's review on the bank reconciliations.

Management's response: The entity will ensure all bank reconciliations are properly signed and dated by the reviewer in accordance with its policy.

3. For all of the five bank accounts selected, there was no evidence on the bank reconciliations that management is researching reconciling items that have been outstanding for more than 12 months from the statement closing date.

Management's response: The entity will revise its policies and procedures to include documenting the research of all reconciling items that have been outstanding for more than 12 months from the statement closing date.

Cash Collections:

4. The entity has only one cash drawer that is used by all office employees. The utility clerk prepares the deposits and also collects cash. The Town Clerk reconciles cash collections to the general ledger, posts collection entries to the general ledger, and also collects cash.

Management's response: The entity will review its policies and procedures to determine a cost effective method to respond to the cash collection exceptions.

Non-Payroll Disbursements

5. The employee responsible for processing payments is not prohibited from adding/modifying vendor files.

Management's response: The entity will implement procedures for an employee other than the employee responsible for processing payments to periodically review changes made to vendor files.

6. One of the entity's check signers also mails the payments to vendors.

Management's response: Management will establish a policy to ensure that another employee will be responsible for mailing payments.

Travel and Expense Reimbursements:

7. Of the five reimbursements tested, three did not have documentation of the business/public purpose. One of the reimbursements tested did not have documentation for mileage reimbursement in accordance with the entity's policy.

Management's response: The entity will ensure that all travel and expense reimbursements have the business purpose documented and the required documentation identified in its policy.

Payroll and Personnel:

8. None of the 5 employees selected for testing have cumulative leave records. Documentation includes leave taken, not earned.

Management's response: The entity will implement procedures to ensure that cumulative leave records are maintained including leave earned and taken.

Ethics:

9. One of the five employees selected who was required to have ethics training did not have support for completion of the required training.

Management's response: Management will implement policies and procedures to track and maintain the ethics training certificates for all employees.

10. None of the five employees selected for testing signed that they read the entity's ethics policy during the fiscal period.

Management's response: Management will implement policies and procedures to track and maintain annual certifications by employees that the entity's ethics policy has been read during the fiscal year.

Other:

11. The notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds was not posted on the entity's website.

Management's response: In the future, the entity will post the notice on its website as required by R.S. 24:523.1.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Town of Sunset and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
October 25, 2018