

TOWN OF STONEWALL, LOUISIANA

Annual Financial Statements

June 30, 2019

TOWN OF STONEWALL, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

The Honorable Randy Rodgers, Mayor
and the Members of the Town Council
Town of Stonewall, Louisiana

We have audited the accompanying financial statements of the governmental activities and the general fund of the Town of Stonewall, Louisiana, as of and for the year ended June 30, 2019, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Town of Stonewall, Louisiana, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information Part I

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, listed as required supplementary information (Part I) in the table of contents, 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.

Required Supplemental Information Part II and Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stonewall's basic financial statements. The budgetary comparison schedule listed as required supplementary information (part II) in the table of contents as required by the Governmental Accounting Standards Board and the schedule of compensation, benefits and other payments to agency head or chief executive officer listed as other supplemental information in the table of contents as required by Louisiana Revised Statute 24:513(A)(3), are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The budgetary comparison statement and the schedule of compensation, benefits and other payments to agency head or chief executive officer are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the Town of Stonewall, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Town of Stonewall, Louisiana's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, we have issued a report dated October 31, 2019 on the results of those procedures, in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Governmental Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agrees-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
October 31, 2019

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

TOWN OF STONEWALL, LOUISIANA
Management's Discussion and Analysis

June 30, 2019

As management of the Town of Stonewall, Louisiana, we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Stonewall as of and for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

Financial Highlights

The Town experienced an increase in its net position of \$394,284 (9.44%) during the fiscal year ended June 30, 2019, compared to an increase of \$315,309 (8.16%) the prior year. At June 30, 2019, the assets of the Town exceeded its liabilities by \$4,572,855 compared to prior year's ending net position of \$4,178,571.

The Town's total revenues increased \$76,165 or 9.31% to \$894,608 for fiscal year ended June 30, 2019 from \$818,443 in June 30, 2018. This is due to an increase in sales tax, license, permits, and grant revenues.

As of the close of the fiscal year, the Town's governmental funds reported an ending fund balance of \$2,029,710, an increase of \$432,571 from the \$1,597,139 fund balance for the prior year.

Overview of the Financial Statements

This Management's Discussion and Analysis document introduces the Town of Stonewall's basic financial statements. The basic financial statements include two kinds of financial statements that present different views of the Town—the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail. This report also contains additional required supplementary information—a budgetary schedule—in addition to the basic financial statements and other supplementary information for analysis. These components are described below:

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Stonewall's finances in a manner similar to a private-sector business. The government-wide financial statements include two statements:

The *statement of net position* presents information on all of the Town of Stonewall's assets and liabilities, with the difference between the two reported as *net position*. Overtime, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Stonewall is improving or deteriorating.

The *statement of activities* presents information showing how the Town of Stonewall's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the

underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, licenses and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, parks and recreation and economic development. The Town does not have any business-type activities. The Government-Wide financial statements can be found immediately following this discussion and analysis.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Stonewall, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Town of Stonewall has one governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in evaluating a government's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds financial statements can be found immediately following the government-wide financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Other Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The Town of Stonewall adopts an annual budget for the general fund. A budgetary comparison statement is provided for the general fund to demonstrate budgetary compliance.

Other Supplementary Information

The schedule of compensation, benefits and other payments to agency head or chief executive officer is presented to fulfill the requirements of Louisiana Revised Statute 24:513(A)(3).

Financial Analysis of Government-wide Activities

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position totaled \$4,572,855 at June 30, 2019.

The portion of the Town's net position of \$2,543,145 (55.61%) at June 30, 2019, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment); less any related debt used to acquire those assets that is still outstanding compared to \$2,581,432 (61.78%) as of June 30, 2018. The Town uses these capital assets to provide services to the citizens of the Town; consequently, these assets are not available for future spending.

The remaining portion of the Town's net position, \$2,029,710 (44.39%) and \$1,597,139 (38.22%) as of June 30, 2019 and 2018, respectively, is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and councilmen. \$1,979,770 (97.54%) of the unrestricted net position of the Town consists of cash, demand deposits, and certificates of deposit compared to \$1,654,721 (103.6%) for the prior year.

A summary of the Statement of Net Position is below:

ASSETS	June 30, 2019	June 30, 2018	% Change
Cash and cash equivalents	\$ 1,454,860	\$ 1,132,261	28.5%
Investments	524,910	522,460	0.5%
Accounts receivable	38,491	49,789	-22.7%
Utility deposits	55	55	0.0%
Prepaid expenses	15,634	21,930	-28.7%
Capital assets (net of accumulated depreciation)	2,543,145	2,581,432	-1.5%
TOTAL ASSETS	\$ 4,577,095	\$ 4,307,927	6.2%
LIABILITIES			
Accounts payable	\$ 4,240	\$ 129,356	-96.7%
TOTAL LIABILITIES	\$ 4,240	\$ 129,356	-96.7%
NET POSITION			
Net investment in capital assets	\$ 2,543,145	\$ 2,581,432	-1.5%
Unrestricted	2,029,710	1,597,139	27.1%
TOTAL NET POSITION	\$ 4,572,855	\$ 4,178,571	9.4%

Changes in net position

The Town's net position increased by \$394,284 (9.44%) during the year ended June 30, 2019, compared to an increase of \$315,309 (8.16%) in 2018. General revenues increased by \$53,772 and program revenues increased by \$22,393 due primarily to increase in capital grants.

\$35,812 (4.00%) of the Town's total revenues was derived through charges for services during 2019 compared to \$40,322 (4.93%) for the prior year. The Town received \$30,519 (3.41%) and \$3,616 (0.44%) of its total revenues through program grants and contributions during 2019 and 2018, respectively. \$828,277 (92.58%) was derived from general revenues including sales taxes, franchise taxes, occupational license, rent, and interest compared to \$774,505 (94.63%) during 2018. The net effect of the *increase* in revenue is \$76,165 or 9.31%.

The expenses were down \$2,810 or 0.56%. The principal expenses were for general and administrative \$266,275 (53.22%), public works \$185,956 (37.17%), and parks and recreation \$42,159 (8.43%).

A summary of the Statement of Activities is below:

	For the year ended <u>June 30, 2019</u>	For the year ended <u>June 30, 2018</u>	% Change
Revenue			
Program revenues:			
Charges for services	\$ 35,812	\$ 40,322	-11.2%
Grants, operations	-	2,147	-100.0%
Grants, capital	30,519	1,469	1977.5%
General revenues:			
Sales tax	458,624	432,172	6.1%
Franchise tax	207,132	204,129	1.5%
License & permits	127,924	112,821	13.4%
Other general revenue	21,563	14,631	47.4%
Interest	3,886	3,051	27.4%
Gain on sale of assets	9,148	7,701	18.8%
Total revenues	<u>894,608</u>	<u>818,443</u>	<u>9.3%</u>
Expenses			
General and administrative	266,275	246,402	8.1%
Public safety	4,017	50,863	-92.1%
Public works	185,956	139,494	33.3%
Parks and recreation	42,159	64,682	-34.8%
Economic Development	1,917	1,693	13.2%
Total expenses	<u>500,324</u>	<u>503,134</u>	<u>-0.6%</u>
Increase (decrease) in net position	394,284	315,309	
Net position beginning of year	<u>4,178,571</u>	<u>3,863,262</u>	
Net position end of year	<u>\$ 4,572,855</u>	<u>\$ 4,178,571</u>	9.4%

Financial Analysis of the Governmental Funds

As noted earlier, the Town of Stonewall uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2019, the General Fund's fund balance of \$2,029,710 shows an increase of \$432,571 (27.08%) in comparison to \$1,597,139 at June 30, 2018.

General Fund Budgetary Highlights

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.). Actual revenues were more than budgeted revenues by \$4,260. Total expenditures were less than budgeted expenditures by \$284,706. The Town amended the budget once during the period ended June 30, 2019.

Capital Asset and Debt Administration

Capital assets The Town of Stonewall's investment in capital assets for its governmental activities as of June 30, 2019, totaled \$2,543,145 (net of accumulated depreciation of \$1,330,072). This investment includes land, buildings, furniture, equipment, and infrastructure. The town expensed \$147,715 for capital outlays in the fund financial statements. This included new security cameras, a bridge, and sign all at the park; a new truck, mower, guard to protect the tractor glass and construction in progress to overlay of a portion of Stanley Road for public works. One police car and a tractor were sold during the year. The former police department building and parking lot were transferred from the public safety function to general government. Depreciation expense was \$175,235. The net decrease in capital assets for the year was \$38,287.

Long-term debt The Town of Stonewall has no debt outstanding.

Economic Factors and Next Year's Budget

For the fiscal year ending June 30, 2019, the following factors were considered when the budget was prepared:

- General revenues will remain consistent with the prior year.
- The collection of outstanding police fines will continue to decrease since the police department was abolished effective July 1, 2018.
- The Town does not expect to receive significant grant monies
- Other expenditures are expected to remain steady with the prior year

Requests for Information

This financial report is designed to provide a general overview of the Town of Stonewall's finances for all those with an interest in the government's finances. Questions concerning any of the information

provided in this report or requests for additional financial information should be addressed to the Town of Stonewall, P. O. Box 92, Stonewall, LA 71078.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF STONEWALL, LOUISIANA
STATEMENT OF NET POSITION
June 30, 2019

		GOVERNMENTAL ACTIVITIES
ASSETS		
Cash and cash equivalents	\$	1,454,860
Investments		524,910
Accounts receivable		38,491
Prepaid expenses		15,634
Deposits		55
Capital assets, net of depreciation		2,543,145
TOTAL ASSETS	\$	4,577,095
LIABILITIES		
Current Liabilities:		
Accounts payable	\$	4,060
Payroll liabilities		180
Total current liabilities		4,240
TOTAL LIABILITIES	\$	4,240
NET POSITION		
Net investment in capital assets	\$	2,543,145
Unrestricted		2,029,710
TOTAL NET POSITION	\$	4,572,855

The accompanying notes are an integral part of the financial statements.
See the accompanying independent auditor's report.

TOWN OF STONEWALL, LOUISIANA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Governmental Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government					
Administration	\$ 236,934	\$ -	\$ -	\$ -	(236,934)
Building and grounds	29,341	20,130	-	-	(9,211)
Public safety-police	4,017	12,372	-	-	8,355
Public works- streets	155,437	3,310	-	-	(152,127)
Public works- water	30,519	-	-	30,519	-
Economic development	1,917	-	-	-	(1,917)
Parks and recreation	42,159	-	-	-	(42,159)
Total Governmental Activities	\$ 500,324	\$ 35,812	\$ -	\$ 30,519	(433,993)

General Revenues:

Sales tax	458,624
Franchise taxes	207,132
Licenses and permits	127,924
Investment earnings	3,886
Other general revenue	21,563
Gain/(Loss) on sale of assets	9,148
Total General Revenues	828,277
Change in Net Position	394,284
Net Position Beginning	4,178,571
Net Position Ending	\$ 4,572,855

The accompanying notes are an integral part of the financial statements.
See the accompanying independent auditor's report.

FUND FINANCIAL STATEMENTS

TOWN OF STONEWALL, LOUISIANA
BALANCE SHEET, GOVERNMENTAL FUND
June 30, 2019

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,454,860
Investments	524,910
Accounts receivable	38,491
Prepaid expenses	15,634
Deposits	55
TOTAL ASSETS	\$ 2,033,950
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 4,060
Payroll liabilities	180
Total Liabilities	4,240
Fund Balances:	
Nonspendable	15,689
Unassigned	2,014,021
Total Fund Balances	2,029,710
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,033,950

**Reconciliation of Fund Balance of Governmental Funds to the Governmental Activities
in the Statement of Net Position**

Fund Balance of Governmental Funds	\$	2,029,710
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in funds

Add capital assets	\$	3,873,217	
Less accumulated depreciation		(1,330,072)	2,543,145
Net Position of Governmental Activities, Statement A	\$		4,572,855

The accompanying notes are an integral part of the financial statements.
See the accompanying independent auditor's report.

TOWN OF STONEWALL, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2019

	General Fund
Revenues	
Sales taxes	\$ 458,624
Franchise taxes	207,132
Intergovernmental revenue	
State grants	30,519
Licenses and permits	151,364
Fines and forfeitures	12,372
Interest income	3,886
Other	21,563
Total Revenues	885,460
Expenditures	
Current:	
General government	235,279
Public safety-Police	756
Public works- Streets and right of ways	36,017
Public works- Water	30,519
Economic development	1,917
Parks and recreation	20,601
Capital outlays	147,715
Total Expenditures	472,804
Net Change in Fund Balance before Other Financing Source	412,656
Other Financing Source	
Sale of assets	19,915
Total Other Financing Source	19,915
Net Change in Fund Balance	432,571
Fund balance, beginning of year	1,597,139
Fund balance, end of year	\$ 2,029,710

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities

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

Net change in fund Balance--governmental funds	\$ 432,571
Governmental funds report capital outlays as expenditures and the sales price of assets as revenue. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense and gain or loss on disposition of assets is recorded.	
Sale proceeds for assets (\$19,915) and gain on sale of assets (\$9,148)	(10,767)
Capital Outlays (\$147,715) less depreciation expense (\$175,235)	(27,520)
Change in Net Position, Statement of Activities	\$ 394,284

The accompanying notes are an integral part of the financial statements.
See the accompanying independent auditor's report.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2019

INTRODUCTION

The Town of Stonewall, Louisiana (*The Town*) was incorporated on July 12, 1972, under the provisions of the Lawranson Act. The Town operates under the Mayor-Council form of government and provides the following services as authorized by the Act: public safety-police; public works: streets; parks and recreation and general services. The Town is located in the northwest Louisiana parish of Desoto and has a population of 2,800, more or less. The Town employs five.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. This report includes all funds that are controlled by or dependent on the Town's Executive and Legislative Branches (The Mayor and Board of Aldermen).

The primary government (Town of Stonewall) is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no entities that were determined to be component units of the Town of Stonewall.

B. Basis of Presentation

The Town of Stonewall's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements.

C. Fund Accounting

The Town uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Town functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Government funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town, or the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds, or management believes that the fund is particularly important to the financial statement users. The municipality reports the following governmental fund:

- The *General Fund* is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is always reported as major governmental fund in governmental fund statements.

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

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.

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. The government-wide statement of net position is reported on a full, accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The government-wide statement of activities reports both the gross and net cost of each of the Town's functions (public safety, public works, parks, and recreation, etc.). The functions are also supported by general government revenues (sales and franchise taxes, occupational license fees, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function (police, building and grounds, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants. The net costs by function are normally covered by general revenues. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide view of the Town's operations.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales taxes, franchise taxes, grant revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines, permits, and license revenues are considered to be measurable and available only when cash is received by the government.

Cash and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits, and interest-bearing demand deposits. Under state law the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. These are classified as investments if their original maturities exceed approximately 90 days. All investments are recorded at fair value based on quoted market prices. The Town does not currently have any certificates or time deposits that exceed approximately 90 days.

Prepaid Expenses

Prepaid items consist of insurance paid in the current year for the next period.

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	20-40 years
Furniture and fixtures	5-10 years
Vehicles	5-15 years
Equipment	5-20 years

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. In connection with implementation of GASB No. 34, the Town established a threshold of \$1,000 for capitalization of depreciable assets.

Capital assets are reported in the government-wide financial statements but not in the fund financial statements. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes by the town, no salvage value is taken into consideration for depreciation purposes.

Compensated Absences

The Town has the following policy relating to vacation and sick leave:

A full-time employee after completing one year of continuous employment from the date of hire is eligible for forty hours vacation with pay. An employee, upon completion of two years continuous employment from the date of hire is eligible for eighty hours of vacation with pay. Upon completion of eight years of continuous employment, the employee is eligible for three weeks of vacation with pay. No more than forty hours may be carried over from one year to the next without the Mayor's permission.

Each employee is granted five days sick leave with pay annually with an extension of up to ten days if approved by the Mayor. Any extra sick days for long-term illness must be approved by the Town council. A maximum carry-over of five days is permissible.

The Town's recognition and measurement criteria for compensated absences follow:

The vacation leave is accrued as a liability as the benefits are earned by the employees. Sick leave is not accrued. At June 30, 2019, there are no accumulated or vested benefits relating to vacation and sick leave. The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the General Fund when leave is actually taken.

Sales and Use Taxes

The Town of Stonewall has a one per cent sales and use tax approved by the voters on May 23, 1988, for an indefinite period. The tax, after all necessary costs for collection and administration, is authorized to be used by the governing authority of the Town of Stonewall on behalf of the Town and its residents for any lawful corporate purpose for which any funds of the Town may be expended.

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

Equity

Net Position. In the government-wide financial statements, fund equity (the difference between assets and liabilities) is classified as net position and reported in three components:

- a. *Net investment in capital assets*—Consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. *Restricted net position*—Net position is considered restricted if the use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Town's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets
- c. *Unrestricted net position*—Consists of all other net position that does not meet the definition of the above two components and is available for general use by the Town.

The Town of Stonewall's policy is to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance. In accordance with GASB 54, the Town classifies fund balances in governmental funds as follows:

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. *Nonspendable:* Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Town has classified deposits and prepaid items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- b. *Restricted:* Amounts that can be spent only for specific purposes because of the Town's charter or codes, state or federal laws, or externally imposed conditions by grantors or creditors. The Town did not have any restricted resources as of June 30, 2019.
- c. *Committed:* Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. The Town did not have any committed resources as of June 30, 2019.
- d. *Assigned:* Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by Town Council. The Town did not have any assigned resources as of June 30, 2019.
- e. *Unassigned:* All amounts not included in other spendable classifications.

The Town would typically use Restricted fund balance first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2019

NOTE 2. CASH AND INVESTMENTS

Cash:

At June 30, 2019, the Town has cash and cash equivalents (book balances) in demand deposits totaling \$1,454,860. These deposits are stated at cost, which approximates market.

Investments:

At June 30, 2018, the Town has investments in certificates of deposit totaling \$524,910. These are all being held for a period of one year or less.

The cash and investments of the Town of Stonewall are subject to the following risks:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. 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 bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Town's name.

At June 30, 2019, the Town had collected bank balances totaling \$1,983,546. These deposits are secured from risk by \$607,712 of federal deposit insurance. The remaining balance of \$1,375,834 is secured by pledged securities with a market value of \$2,825,701 held by the custodial banks in the name of the Town.

Interest Rate Risk: This is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of any investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Town's certificates of deposit have maturities of one year or less which limits exposure to fair value losses arising from rising interest rates.

NOTE 3. RECEIVABLES

Substantially all receivables are considered to be fully collectible and no allowance for uncollectibles is used. The Town's receivables of \$38,491 at June 30, 2019, are as follows:

Franchise tax	\$ 36,930
Licenses	1,561
Total	<u>\$ 38,491</u>

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2019

NOTE 4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the ended June 30, 2019, for the Town is as follows:

	Balance 6/30/2018	Increases	Reclassifications/ Decreases	Balance 6/30/2019
Capital assets, not being depreciated				
Land	\$ 252,633	\$ -	\$ -	\$ 252,633
Total capital assets, not being depreciated	<u>\$ 252,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,633</u>
Capital assets being depreciated				
Buildings	\$ 705,905	\$ -	\$ -	\$ 705,905
Equipment and furniture	247,907	15,570	(32,075)	231,402
Heavy Machinery	32,815	-	-	32,815
Improvements	2,476,624	10,650	-	2,487,274
Vehicles	72,263	21,495	(30,570)	63,188
Construction in progress	-	100,000	-	100,000
Total capital assets being depreciated	<u>3,535,514</u>	<u>147,715</u>	<u>(62,645)</u>	<u>3,620,584</u>
Less accumulated depreciation for				
General government	306,715	30,995	34,035	371,745
Public Safety	76,477	3,262	(53,838)	25,901
Culture and recreation	171,140	21,558	(698)	192,000
Public Works	652,383	119,420	(31,377)	740,426
Total accumulated depreciation	<u>1,206,715</u>	<u>175,235</u>	<u>(51,878)</u>	<u>1,330,072</u>
Total Capital assets, net	<u>\$ 2,581,432</u>	<u>\$ (27,520)</u>	<u>\$ (10,767)</u>	<u>\$ 2,543,145</u>

Depreciation expense of \$175,235 for the year ended June 30, 2019, was charged to the following governmental functions:

General government	\$ 30,995
Public safety	3,262
Public works	119,420
Culture and recreation	21,558
	<u>\$ 175,235</u>

NOTE 5. PENSION PLAN

All employees of the Town are members of the Social Security System. The Town does not guarantee the benefits granted by the Social Security System. The Town also provides an up to three percent matching contribution to employees through a retirement benefit plan. The Town's expense for year end June 30, 2019, is \$2,180.

NOTE 6. LITIGATION AND CLAIMS

The Town of Stonewall is not involved in any litigation at June 30, 2019, nor is it aware of any unasserted claims.

NOTE 7. RISK MANAGEMENT

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

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2019

NOTE 8. COOPERATIVE ENDEAVOR AGREEMENTS/ LEASES

In May, 2005, the Town entered into a cooperative endeavor agreement with the DeSoto Parish School Board to lease unused school property for twenty-five years to the Town at \$5.50 a year. The Town currently utilizes the property to house DeSoto Fire District No. 3 and the park. Lease expense was prepaid for 5 years until 2020.

In August, 2013, the Town entered into a cooperative endeavor agreement with the DeSoto Parish Clerk of Court to provide, at no cost to the Clerk of Court, a satellite office. The Town pays all utilities except for phone and internet.

In November, 2013, the Town entered into a lease agreement with the Louisiana Coalition for Accessible and Sustainable Healthcare (LaCASH) to lease the surface use of land at 160 Stonecreek Drive, Stonewall, Louisiana for forty-five years at a monthly base rental of \$625. LaCASH designed and constructed a building at its sole cost, responsibility, and liability for the purpose of providing healthcare services to the residents of Stonewall and the surrounding area. The Town recognized rental income of \$8,568 for the year end June 30, 2019, from this contract.

In November, 2014, the Town entered into a cooperative endeavor agreement with the DeSoto Parish Tax Assessor to provide, at no other additional costs to the Assessor, a satellite office. The Town pays all utilities except for phone and internet.

In May, 2018, the Town entered into a cooperative endeavor agreement with the DeSoto Parish Police Jury to repair and upgrade the drainage on nine roads located in the Town limits. The police jury will provide the necessary labor, equipment, and materials necessary to perform the repairs. The Town will reimburse the Police Jury for materials. The Town had not spent any funds on the project for the year ended June 30, 2019.

In October, 2018, the Town entered into a cooperative endeavor agreement with the Town of Sarepta, Louisiana for them to purchase a surplus police car for \$12,000.

In February, 2019, the Town entered into a lease agreement North DeSoto Water System, Inc. to lease a 100 foot by 100 foot parcel of land located at the Town Park for the Water System to put a water well. It was agreed that after completion of the tests of the well to ensure it was capable of producing water in sufficient qualities and quantities only then would the lease be executed. Tests concluded the well did not provide the sufficient quantities.

In April, 2019, the Town entered into a cooperative endeavor agreement with the Desoto Parish Sheriff to provide office space and provide access to a shared assembly room for the Town in a newly constructed government complex located within the Town limits. The Sheriff and Town agree that a cost of \$100 per square foot is a feasible amount to be paid by the Town for their portion of construction costs. The total estimated cost for the Town will be \$228,700.

In April 2019, the Town entered into an agreement with BALAR Associates, Inc., an engineering firm, to design improvements for Pine Grove Road from Stanley Road to Louisiana Hwy 3276. The estimated construction cost of the project is \$128,900. The Town had not spent any funds on the project for the year ended June 30, 2019.

In June 2019, the Town entered into a cooperative endeavor agreement with the DeSoto Parish Police Jury to upgrade Stanley Road. The Police Jury and the Town agree to bear the costs of construction services for the upgrade with the work being managed and overseen by the Police Jury. The re-pave and upgrade will be completed in two one-year time periods. For the year ended June 30, 2019, the Town spent \$100,000 on the construction in progress.

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2019

NOTE 9. RELATED PARTY TRANSACTIONS

Procedures, observations, and inquiries did not disclose any material related party transactions for this fiscal year ended June 30, 2019.

NOTE 10. PAYMENTS TO COUNCIL MEMBERS

		<u>Per Diem</u>
Crystal Walsh	Councilwoman	600
Margaret Dickerson	Councilwoman	\$ 550
Michael Norton	Councilman	600
Nicholas Gasper	Councilman	600
Robert Baker	Councilman	550
	<u>Totals</u>	<u>\$ 2,900</u>

NOTE 11. SUBSEQUENT EVENTS

Management has performed an evaluation of the Town's activities through October 31, 2019, and has concluded that there are no significant events requiring recognition or disclosure through the date and time these financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

TOWN OF STONEWALL, LOUISIANA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Sales taxes	\$ 380,000	\$ 460,000	\$ 458,624	\$ (1,376)
Franchise taxes	178,000	220,000	207,132	(12,868)
Intergovernmental revenue				
State grants	70,000	50,000	30,519	(19,481)
License and permits	126,200	126,200	151,364	25,164
Charges for services	-	-	-	-
Court fines and forfeitures	-	-	12,372	12,372
Investment earnings	2,000	2,000	3,886	1,886
Donations	-	-	-	-
Other revenue	12,000	23,000	21,563	(1,437)
Total Revenues	<u>768,200</u>	<u>881,200</u>	<u>885,460</u>	<u>4,260</u>
Expenditures				
Current:				
General government administrative	237,840	227,840	205,939	21,901
Other general government	20,150	20,150	29,340	(9,190)
Public safety	-	-	756	(756)
Public works	430,400	426,400	66,536	359,864
Economic development	10,000	10,000	1,917	8,083
Parks and recreation	73,120	73,120	20,601	52,519
Capital outlay	-	-	147,715	(147,715)
Total Expenditures	<u>771,510</u>	<u>757,510</u>	<u>472,804</u>	<u>284,706</u>
Net Change in Fund Balance before other financing sources	<u>(3,310)</u>	<u>123,690</u>	<u>412,656</u>	<u>288,966</u>
Other financing source				
Sale of assets	-	-	19,915	19,915
Total other financing source	<u>-</u>	<u>-</u>	<u>19,915</u>	<u>19,915</u>
Net Change in Fund Balance	(3,310)	123,690	432,571	308,881
Fund balances, beginning of year	1,597,139	1,597,139	1,597,139	-
Fund balances, end of year	<u>\$ 1,593,829</u>	<u>\$ 1,720,829</u>	<u>\$ 2,029,710</u>	<u>\$ 308,881</u>

The accompanying notes are an integral part of the financial statements.
See the accompanying independent auditor's report.

TOWN OF STONEWALL
NOTES TO THE BUDGETARY COMPARISON SCHEDULE

As of and For the Year Ended June 30, 2019

Budgetary Information

The proposed budget for June 30, 2019, fiscal year was adopted June 12, 2018, after being introduced by the Mayor and made available for public inspection at the town hall of Stonewall, Louisiana. The Town of Stonewall's budget is prepared in accordance with accounting principles generally accepted in the United States of America. Budgets for most governmental funds are adopted annually on the modified cash basis of accounting. The budget was amended once during the year.

The Budgetary Comparison Schedule presents comparisons of the original and final legally adopted budget with the actual data.

Through the budget, the Town allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the Town's economic resources. It establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the Town's performance.

The following is the budget process of the Town:

The Mayor and Town Clerk prepare a proposed budget and submit the same to the Town Council members no later than fifteen days prior to the beginning of each fiscal year. The proposed budget is reviewed by the Town Council and made available to the public. At least ten days after publication of the call for a public hearing, the Town holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the Town Council as a whole. The budget is then adopted through the passage of an ordinance during the June meeting.

During the year, the Council receives monthly budget comparison statements, which are used as tools to control the operations of the Town. The Town Clerk presents necessary budget amendments to the board when she determines that actual operations are differing materially from those anticipated in the original budget. The Town Council in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The budget was not amended during the year. The Mayor and Town Council must approve all changes in the budget. The Town does not use encumbrance accounting in its accounting system.

The Louisiana Local Government Budget Act provides that "the total proposed expenditures shall not exceed the total of estimated funds available for the ensuing year." The "total estimated funds available" is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year.

The Louisiana Revised Statute 39:1310 requires the operating budget of the general fund to be amended whenever 1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more; 2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more; or 3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.

The Town is in compliance with the Louisiana Local Government Budget Act.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF STONEWALL, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEADS OR CHIEF EXECUTIVE OFFICER
For the Year Ended June 30, 2019

	Randal Rodgers Mayor
Salary	16,800
Benefits-insurance (Medicare)	244
Benefits- retirement (Social Security)	1,042
Benefits - retirement	-
Car allowance	-
Dues and memberships	-
Per diem	-
Reimbursements	1,061
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Court pay	-
Cell phone	452
Uniforms	-
Total	19,599

See independent auditor's report.

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING
STANDARDS*



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122 Jefferson Street

Maura Dees Gardner, CPA, CFE

Mansfield, Louisiana

Phone No. 318-872-3007

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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

The Honorable Randy Rodgers
And the Members of the Town Council of
Town of Stonewall, Louisiana

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and general fund of the Town of Stonewall, Louisiana as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Stonewall, Louisiana's basic financial statements and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Stonewall's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Stonewall's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Stonewall'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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stonewall, Louisiana's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Town's internal control or on compliance. This report is an integral part of any 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.

This report is intended solely for the information and use of the Town of Stonewall management and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 21:513 this report is a public document.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
October 31, 2019

AUDIT FINDINGS

TOWN OF STONEWALL, LOUISIANA
Schedule of Findings and Responses
For the Year ended June 30, 2019

SUMMARY OF AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT:

We have audited the basic financial statements of Town of Stonewall, Louisiana as of and for the year ended June 30, 2019, and have issued our report thereon dated October 31, 2019. 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. Our audit of the basic financial statements as of June 30, 2019, resulted in an unmodified opinion.

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL AND OTHER MATTERS TO THE FINANCIAL STATEMENTS:

Internal Control

Significant Deficiency	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Material Weakness	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Compliance

Compliance Material to Financial Statements	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Other Matters	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

FEDERAL AWARDS

Not applicable

MANAGEMENT LETTER

None.

MANAGEMENT'S CORRECTIVE ACTION PLAN

None.

Part II. Findings relating to the Financial Statements which are required to be reported under *Government Auditing Standards*.

FINDINGS RELATED TO INTERNAL CONTROL

None.

FINDINGS RELATED TO COMPLIANCE

None.

TOWN OF STONEWALL, LOUISIANA
Summary Schedule of Prior Year Findings
For the year ended June 30, 2019

None.



Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

Maura Dees Gardner, CPA, CFE

122 Jefferson Street

Mansfield, Louisiana 71052

Independent Accountant's Report On Applying Agreed-Upon Procedures

To the Honorable Randal S. Rodgers, Mayor
and the Members of the Town Council for
the Town of Stonewall, Louisiana, and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Stonewall (the Town) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Town'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

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

a-j) No prior year exceptions. Sections not reviewed.

k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

No exceptions were noted as a result of this procedure.

Board or Finance Committee

2. No prior year exception. Section not reviewed.

Bank Reconciliations

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

A listing of client bank accounts from management and management's representation that the listing is complete were obtained. The main operating account and the only other 2 active accounts were selected for review.

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

No exceptions were noted as a result of this procedure.

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

No exceptions were noted as a result of this procedure.

- 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.

No exceptions were noted as a result of this procedure.

Collections (excluding EFTs)

4. No prior year exception. Section not reviewed.
5. No prior year exception. Section not reviewed.
6. No prior year exception. Section not reviewed.
7. No prior year exception. Section not reviewed.

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

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

A listing of locations that process payments for the fiscal period and management's representation that the listing is complete were obtained. The only location of the entity was selected for review.

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

A listing of those employees involved with non-payroll purchasing and payment functions and management's representation that the listing is complete were obtained.

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

No exceptions were noted as a result of this procedure.

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

No exceptions were noted as a result of this procedure.

- 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.

No exceptions were noted as a result of this procedure.

- 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.

No exceptions were noted as a result of this procedure.

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

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

No exceptions were noted as a result of this procedure.

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

No exceptions were noted as a result of this procedure.

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

11. No prior year exception. Section not reviewed.

12. No prior year exception. Section not reviewed.

13. No prior year exception. Section not reviewed.

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

14. No prior year exception. Section not reviewed.

Contracts

15. No prior year exception. Section not reviewed.

Payroll and Personnel

16. No prior year exception. Section not reviewed.

17. No prior year exception. Section not reviewed.

18. No prior year exception. Section not reviewed.

19. No prior year exception. Section not reviewed.

Ethics

20. No prior year exception. Section not reviewed.

Debt Service

21. No prior year exception. Section not reviewed.

22. No prior year exception. Section not reviewed.

Other

23. No prior year exception. Section not reviewed.

24. No prior year exception. Section not reviewed.

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

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

Dees Gardner, Certified Public Accountants, LLC

Mansfield, LA
October 31, 2019