

TOWN OF RAYVILLE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
AS OF JUNE 30, 2019
AND FOR THE YEAR THEN ENDED

TOWN OF RAYVILLE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019
WITH SUPPLEMENTAL INFORMATION SCHEDULES

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ANNUAL FINANCIAL STATEMENTS
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HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 30, 2019

To the Honorable Mayor Harry Lewis
and the Members of the Town Council
Town of Rayville, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Rayville, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



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 Rayville, as of June 30, 2019, 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 *Management's Discussion and Analysis* on Pages 4-9, *Budgetary Comparison Information* on Pages 43-45, Schedule of Town's proportionate share of net pension liability on Page 46, and Schedule of Town's required contributions on Page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The information on Pages 48-49 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

Shreveport, Louisiana

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2019

The management of the Town of Rayville, Louisiana offers readers of the Town of Rayville, Louisiana's (Town) financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with additional information presented throughout this report.

Overview of the Financial Statements

This section is intended to serve as an introduction to the Town's financial statements. The Town's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Position and Statement of Activities, which seeks to give the user of the financial statements a broad overview of the Town's financial condition and results of operations in a manner similar to private sector businesses.

The statement of net position presents information on all of the Town's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Town is improving or weakening.

The statement of activities presents information which shows how the government's net position changed during this fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues; for example, the Police and Fire Departments. Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Water and Sewer Departments.

Government-Wide Financial Analysis

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial condition. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$11,929,190 (net position); this represents a decrease of \$509,816 from last fiscal year. Of this total net position amount, \$847,979 is unrestricted net position. The Town's net positions are comprised of \$4,825,238 from governmental activities and \$7,103,952 from business-type activities.

The following is a condensed statement of the Town of Rayville's net position as of June 30, 2019:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets			
Current and other assets	1,249,452	1,637,225	2,886,677
Capital assets (net)	<u>5,499,350</u>	<u>14,143,587</u>	<u>19,642,937</u>
Total assets	6,748,802	15,780,812	22,529,614
Deferred outflows of resources	<u>523,448</u>	<u>206,830</u>	<u>730,278</u>
Total assets and deferred outflows of resources	7,272,250	15,987,642	23,259,892
Liabilities			
Other liabilities	481,209	540,209	1,021,418
Long-term liabilities	<u>1,542,779</u>	<u>8,321,998</u>	<u>9,864,777</u>
Total liabilities	2,023,988	8,862,207	10,886,195
Deferred inflows of resources	<u>423,024</u>	<u>21,483</u>	<u>444,507</u>
Total assets and deferred inflows of resources	2,447,012	8,883,690	11,330,702
Net position			
Net invested in capital assets	5,428,736	6,944,724	12,373,460
Restricted	41,721	361,988	403,709
Unrestricted	<u>(645,219)</u>	<u>(202,760)</u>	<u>(847,979)</u>
Total net position	<u>4,825,238</u>	<u>7,103,952</u>	<u>11,929,190</u>

By far the largest portion of the Town's net position (\$12,373,460 or 104%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining balance, (3% or \$403,709) is restricted net positions and [(7%) or (\$847,979)] is unrestricted net positions, which may be used to meet the government's on-going obligations to citizens and creditors.

The Town has total outstanding debt of \$7,968,212, which was used to finance some of the \$19,642,937 capital assets. Total liabilities of \$11,330,701 are equal to 95% of the total net positions.

The Town's governmental activities decreased net positions by \$124,433 while the business type activities decreased net positions by \$385,383.

The following is a summary of the statement of activities:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Revenue:</u>			
Program revenue	763,522	1,617,055	2,380,577
General revenue	<u>2,373,484</u>	<u>2,746</u>	<u>2,376,230</u>
Total revenue	3,137,006	1,619,801	4,756,807
<u>Expenses:</u>			
General and administrative	1,016,872	-	1,016,872
Public safety	1,103,892	-	1,103,892
Public works	969,035	-	969,035
Recreation	97,104	-	97,104
Airport	205,659	-	205,659
Utility	-	<u>1,874,061</u>	<u>1,874,061</u>
Total expenses	<u>3,392,562</u>	<u>1,874,061</u>	<u>5,266,623</u>
<u>Excess of revenues over expenditures</u>	(255,556)	(254,260)	(509,816)
Transfers	<u>131,123</u>	<u>(131,123)</u>	<u>-</u>
<u>Increase (decrease) in net positions</u>	(124,433)	(385,383)	(509,816)
<u>Net positions June 30, 2018</u>	<u>4,949,671</u>	<u>7,489,335</u>	<u>12,439,006</u>
<u>Net positions June 30, 2019</u>	<u>4,825,238</u>	<u>7,103,952</u>	<u>11,929,190</u>

Governmental revenues in the current and prior fiscal year are comprised of the following:

	<u>Year End June 30, 2019</u>	<u>Year End June 30, 2018</u>
<u>Program revenues:</u>		
Rents and fees	22,636	19,172
Fines	211,238	224,740
User fees	324,515	324,246
Operating grants	25,000	60,000
Capital grants	<u>180,133</u>	<u>268,591</u>
Total program revenue	<u>763,522</u>	<u>896,749</u>
<u>General revenues:</u>		
Property taxes	317,862	326,189
Sales taxes	1,552,517	1,533,192
Franchise and insurance taxes	144,787	149,561
Other tax and licenses	184,164	164,797
Investment earnings	7,929	2,915
Other general revenues	60,429	107,643
Intergovernmental	<u>105,796</u>	<u>118,850</u>
Total general revenues	<u>2,373,484</u>	<u>2,403,147</u>

Governmental Activities

The governmental activities of the Town include General Government, Public Safety, Public Works, Recreation, Airport, and Industrial Development. Revenues normally associated with municipal operations are sales tax, property tax, franchise fees, license fees, sanitation fees, permits, fines, and operating grants.

Business-Type Activities

The business-type activities of the Town are those that charge a fee to customers for the services provided. The Town has one business-type activity which is accounted for in the enterprise fund. The Town uses the enterprise fund to account for the revenues and expenses related to the provision of water and sewer services.

Fund Financial Statements – Town of Rayville – All Funds

An analysis of the individual funds of the Town for the fiscal year is outlined below:

	Governmental Funds				
	General Fund	Sales Tax Fund	Industrial Park Fund	Capital Projects Fund	Water & Sewer Fund
Revenues	1,398,416	1,553,284	240	140,822	1,349,678
Expenditures	<u>3,079,190</u>	<u>19,388</u>	<u>-</u>	<u>156,453</u>	<u>1,610,878</u>
Excess (deficiency) of revenues	(1,680,774)	1,533,896	240	(15,631)	
Operating loss	-	-	-	-	(261,200)
Other financial sources (uses)	1,697,487	(1,533,171)	-	14,038	291,114
Non-operating revenue (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(260,437)</u>
Net change	16,713	725	240	(1,593)	(230,523)
Beginning fund balance or net position	<u>438,914</u>	<u>299,713</u>	<u>42,689</u>	<u>-</u>	<u>7,489,335</u>
Ending fund balance or net position	<u><u>455,627</u></u>	<u><u>300,438</u></u>	<u><u>42,929</u></u>	<u><u>(1,593)</u></u>	<u><u>7,258,812</u></u>

Fund Financial Statements – Governmental Funds

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

The Town currently maintains four individual governmental funds (General Fund, Special Revenue – Sales Tax, Special Revenue – Economic Development, and Capital Funds Project). Each fund is considered a major fund. Information is presented separately for each fund as outlined in the table of contents.

The Town adopts an annual budget for the General Fund, the Special Revenue – Sales Tax Fund, Special Revenue – Economic Development Fund, and Capital Funds Project. A statement of revenues, expenditures, and changes in fund balance for the General Fund, the Special Revenue – Sales Tax Fund, Special Revenue – Economic Development Fund, and Capital Funds Project are presented in the Required Supplemental Information (Part II), which compares actual revenues and expenditures to the budget figures.

Financial Analysis of the Town's Governmental Funds

The Town of Rayville's governmental funds (General Fund, Special Revenue – Sales Tax, Special Revenue – Economic Development, and Capital Projects Fund) reported an ending fund balance of \$797,401, which is an increase of \$16,085. \$41,728 of the fund balance is restricted. \$300,438 of the fund balance Unrestricted – Assigned. The remaining amount of \$455,235 is Unrestricted – Unassigned.

Fund Financial Statements – Proprietary Funds

The Town maintains one proprietary fund. Proprietary funds are used to report the same functions as business-type activities. The Town uses an enterprise fund (the first type of proprietary fund) to account for its Combined Water and Sewer Operations. This enterprise fund reports the same functions presented as business-type activities in the government-wide financial statements.

Financial Analysis of the Town's Proprietary Fund

The Town's proprietary fund shows a decrease in total net positions of \$385,383. The operating loss in the Water and Sewer Departments totaled \$261,200.

The financial statements of the enterprise funds are presented on the same basis of accounting as in both the government-wide financial statements and the individual funds statements. All comments and analysis made under business-type activities, also apply to these funds.

General Fund Budgetary Highlights

Actual revenues were \$372,576 more than the budgeted amounts. Expenditures were less than budget by \$26,710. Other financing sources were less than budget by \$382,633.

Capital Asset and Debt Administration

The total investment in net capital assets as of June 30, 2019 is \$12,373,460, which is a decrease of \$459,261 from the amount of \$12,832,721 at June 30, 2018.

New major capital assets purchased or constructed in fiscal year 2019 are:

Governmental activities:

1. Equipment & Improvements	\$ 41,531
2. Airport Improvements	39,311
3. System Improvements in Progress	156,453

Proprietary activities:

1. Equipment System Improvements	\$ 278,204
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Proprietary Debt:

The Town of Rayville used cash, grants, and loans to acquire the current year capital assets. Through Co-operative Endeavors, the Town has grant/loan projects committed for funding that have not yet been started.

Through a Co-operative Endeavor with the State of LA, the Town has planned a project to construct new water facilities. The project budget is \$27,926,690 and consists of several small projects. The funding that has been committed includes \$2,000,000 of the funding from the state and \$2,000,000 in loans to the Town. At June 30, 2019, \$1,094,890 of state funding had been used.

General Governmental Debt:

Various capital assets were purchased by the Town through capital leases.

The following is a summary of General Government and Proprietary debt transactions of the Town for the fiscal year ended June 30, 2019:

	Bonds Payable <u>7-1-18</u>	New <u>Loans</u>	Loans <u>Retired</u>	Bonds Payable <u>6-30-19</u>
Water Phase I	1,976,686	-	(29,734)	1,946,952
Water Revenue Bonds	753,316	-	(24,186)	729,130
Water Phase II	1,146,724	-	(14,516)	1,132,208
2006 Sewer Bonds	166,926	-	(3,218)	163,708
2007 Sewer Bonds	324,031	-	(6,312)	317,719
USDA WWTP	3,680,240	-	(74,289)	3,605,951
Ally Bank	9,400	-	(7,471)	1,929

	<u>Governmental Debt</u>	
	<u>Street Equipment</u>	<u>Vehicles</u>
Payable at July 1, 2018	36,245	36,336
New lease	-	36,730
Capital lease retired	<u>(13,444)</u>	<u>(25,252)</u>
Payable at June 30, 2019	<u>22,801</u>	<u>47,814</u>

Current Financial Factors

With the exception of changes in Capital Grants, revenues for the upcoming fiscal year are expected to remain relatively constant.

Requests for Information

This financial report is designed to provide a general overview of the Town of Rayville’s finances for all with an interest in the government’s operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Deborah Nealon, Town Clerk, Post Office Box 878, Rayville, Louisiana 71269.

Government-Wide Financial Statements

TOWN OF RAYVILLE, LOUISIANA

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	637,706	318,609	956,315
Receivables (net of allowances for uncollectibles)	488,115	209,444	697,559
Restricted cash and cash equivalents	43,315	1,060,720	1,104,035
Grant receivable	80,316	20,684	101,000
Loan cost (net of amortization)	-	27,768	27,768
Capital assets (net)	<u>5,499,350</u>	<u>14,143,587</u>	<u>19,642,937</u>
Total non-current assets	<u>5,622,981</u>	<u>15,252,759</u>	<u>20,875,740</u>
Total assets	6,748,802	15,780,812	22,529,614
Deferred outflows of resources	183,089	74,436	257,525
Deferred outflows of pensions	<u>340,359</u>	<u>132,394</u>	<u>472,753</u>
 Total assets and deferred outflows	 7,272,250	 15,987,642	 23,259,892
<u>LIABILITIES</u>			
Accounts, salaries, and other payables	326,826	249,550	576,376
Payable from restricted assets	125,225	131,400	256,625
Current portion of capital leases payable	29,158	1,929	31,087
Current portion of notes payable	-	157,330	157,330
Notes payable, beyond one year	41,457	7,738,338	7,779,795
Net pension liabilities	<u>1,501,322</u>	<u>583,660</u>	<u>2,084,982</u>
Total non-current liabilities	<u>1,542,779</u>	<u>8,321,998</u>	<u>9,864,777</u>
Total liabilities	2,023,988	8,862,207	10,886,195
Deferred inflows of resources	<u>423,024</u>	<u>21,483</u>	<u>444,507</u>
 Total liabilities and deferred inflows	 <u>2,447,012</u>	 <u>8,883,690</u>	 <u>11,330,702</u>
<u>NET POSITION</u>			
Net invested in capital assets	5,428,736	6,944,724	12,373,460
Restricted for renewal and replacement	-	361,988	361,988
Restricted for economic development and grant restrictions	41,721	-	41,721
Unrestricted (deficit)	<u>(645,219)</u>	<u>(202,760)</u>	<u>(847,979)</u>
 Total net position	 <u>4,825,238</u>	 <u>7,103,952</u>	 <u>11,929,190</u>

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

TOWN OF RAYVILLE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue</u>	<u>Net (Expenses), Revenues, and Changes</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Governmental Activities</u>	<u>Business- Type Activities</u>	
<u>GOVERNMENTAL ACTIVITIES</u>								
General government	1,016,872	22,186	25,000	-	(969,686)	(969,686)	-	(969,686)
Public Safety-Police	918,004	211,238	-	-	(706,766)	(706,766)	-	(706,766)
Public Safety-Fire	185,888	-	-	-	(185,888)	(185,888)	-	(185,888)
Public Works-Streets	605,063	-	-	-	(605,063)	(605,063)	-	(605,063)
Public Works-Sanitation	363,972	324,515	-	-	(39,457)	(39,457)	-	(39,457)
Public Works-Utility	-	-	-	140,822	140,822	140,822	-	140,822
Recreation	97,104	450	-	-	(96,654)	(96,654)	-	(96,654)
Airport	205,659	-	-	39,311	(166,348)	(166,348)	-	(166,348)
Total Governmental Activities	<u>3,392,562</u>	<u>558,389</u>	<u>25,000</u>	<u>180,133</u>	<u>(2,629,040)</u>	<u>(2,629,040)</u>	<u>-</u>	<u>(2,629,040)</u>
<u>BUSINESS-TYPE ACTIVITIES</u>								
Water and Sewer	<u>1,874,061</u>	<u>1,349,678</u>	<u>8,793</u>	<u>258,584</u>	<u>(257,006)</u>	<u>-</u>	<u>(257,006)</u>	<u>(257,006)</u>
Total Business-Type Activities	<u>1,874,061</u>	<u>1,349,678</u>	<u>8,793</u>	<u>258,584</u>	<u>(257,006)</u>	<u>-</u>	<u>(257,006)</u>	<u>(257,006)</u>
Total	<u>5,266,623</u>	<u>1,908,067</u>	<u>33,793</u>	<u>438,717</u>	<u>(2,886,046)</u>	<u>(2,629,040)</u>	<u>(257,006)</u>	<u>(2,886,046)</u>
General Revenues:								
Property Taxes						317,862	-	317,862
Sales Taxes						1,552,517	-	1,552,517
Franchise and Insurance Taxes						144,787	-	144,787
Beer Taxes						4,511	-	4,511
Occupational and Other Licenses						179,653	-	179,653
Investment Earnings						7,929	2,746	10,675
Other General Revenues						60,429	-	60,429
Intergovernmental						105,796	-	105,796
Transfers						131,123	(131,123)	-
Total general revenues and transfers						<u>2,504,607</u>	<u>(128,377)</u>	<u>2,376,230</u>
Change in Net Position						<u>(124,433)</u>	<u>(385,383)</u>	<u>(509,816)</u>
Net position-beginning						<u>4,949,671</u>	<u>7,489,335</u>	<u>12,439,006</u>
Net position-ending						<u>4,825,238</u>	<u>7,103,952</u>	<u>11,929,190</u>

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

Fund Financial Statements

Governmental Funds

TOWN OF RAYVILLE, LOUISIANA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2019

	Governmental Fund Types				Totals
	General	Sales Tax	Special Revenue	Capital Projects Fund	
<u>Assets</u>					
Cash and cash equivalents	74,962	172,045	-	-	247,007
Restricted cash and cash equivalents	392	-	42,922	1	43,315
Investments	383,913	6,786	-	-	390,699
Receivables (net of allowances for uncollectibles)					
Licenses and permits	9,209	-	-	-	9,209
Taxes, including penalty, interest and fees	11,529	123,350	-	-	134,879
Services	4,615	-	-	-	4,615
Fines and forfeits	200,470	-	-	-	200,470
Other	10,635	-	-	-	10,635
Intergovernmental	128,165	-	-	80,316	208,481
Accrued interest	133	2	7	-	142
Total assets	<u>824,023</u>	<u>302,183</u>	<u>42,929</u>	<u>80,317</u>	<u>1,249,452</u>
<u>Liabilities</u>					
Accounts payable	273,962	1,745	-	81,910	357,617
Accrued expenditures	36,939	-	-	-	36,939
Estimated compensated absences	57,495	-	-	-	57,495
Total liabilities	368,396	1,745	-	81,910	452,051
<u>Fund Balance</u>					
Non-spendable fund balance	-	-	-	-	-
Restricted fund balance-grants	392	-	42,929	(1,593)	41,728
Unrestricted fund balance					
Assigned fund balance	-	300,438	-	-	300,438
Unassigned fund balance	455,235	-	-	-	455,235
Total fund balance	<u>455,627</u>	<u>300,438</u>	<u>42,929</u>	<u>(1,593)</u>	<u>797,401</u>
Total liabilities and fund balance	<u>824,023</u>	<u>302,183</u>	<u>42,929</u>	<u>80,317</u>	<u>1,249,452</u>

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

TOWN OF RAYVILLE, LOUISIANA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

Fund Balances – Total Governmental Funds		797,401
Amounts reported for governmental activities in Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	10,734,187	
Less-accumulated depreciation	<u>(5,234,837)</u>	5,499,350
Retirement payments are reported as expenditures in the governmental funds. In the government-wide statements the payments represent deferred outflow of resources.		
		183,089
Capital leases and notes payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		(70,615)
Deferred outflows of resources and deferred inflows of resources are not available to pay current period expenditures and therefore are not reported in the governmental funds		
Deferred outflows related to pension systems	340,359	
Deferred inflows related to pension systems	<u>(423,024)</u>	(82,665)
Long-term pension obligations are not payable from current resources and therefore are not reported in the governmental funds.		
		<u>(1,501,322)</u>
Net Position of Governmental Activities		<u>4,825,238</u>

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

TOWN OF RAYVILLE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	
<u>Revenues</u>			
Taxes	467,160	1,552,517	2,019,677
Licenses and permits	179,653	-	179,653
Intergovernmental revenue	136,363	140,822	277,185
Charges for service	347,151	-	347,151
Fines and forfeits	211,238	-	211,238
Interest	6,921	1,008	7,929
Other	49,930	-	49,930
Total revenues	<u>1,398,416</u>	<u>1,694,347</u>	<u>3,092,763</u>
<u>Expenditures</u>			
Current:			
General government	861,137	19,389	880,526
Fire	163,660	-	163,660
Police	954,820	-	954,820
Highways and streets	566,728	-	566,728
Sanitation	363,972	-	363,972
Recreation	79,489	-	79,489
Airport	8,542	-	8,542
Capital outlay	80,842	156,453	237,295
Total expenditures	<u>3,079,190</u>	<u>175,842</u>	<u>3,255,032</u>
Excess (deficiency) of revenues over expenditures	(1,680,774)	1,518,505	(162,269)
Other financing sources (uses):			
Capital leases	36,731	-	36,731
Sale of capital asset	10,500	-	10,500
Operating transfers in	1,533,171	(1,533,171)	-
Operating transfers in	117,085	14,038	131,123
Total other financing sources (uses)	<u>1,697,487</u>	<u>(1,519,133)</u>	<u>178,354</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	16,713	(628)	16,085
Fund balance at beginning of year	<u>438,914</u>	<u>342,402</u>	<u>781,316</u>
Fund balance at end of year	<u>455,627</u>	<u>341,774</u>	<u>797,401</u>

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

TOWN OF RAYVILLE, 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, 2019

Net Change in Fund Balances, Total Governmental Funds 16,085

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

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives
and reported as depreciation expenses.

Changes due to capital outlay, depreciation, and
disposal of capital assets (185,400)

The issuance of long-term debt (bonds, leases, etc.) provides current
financial resources to governmental funds, while the repayment of
the principal of long-term debt consumes the current financial
resources of governmental funds. Neither transaction, however,
has any effect on net position. This amount is the net effect of
differences in the treatment of long-term debt and related items.

Capital lease and loan payments 38,699
Capital lease proceeds (36,730) 1,969

Employer pension contributions made subsequent to the measurement
date are reported in the governmental funds as expenditures, but are
deferred and recognized as pension expense in the subsequent year. 183,087

Governmental funds report retirement expenditures as payment is
remitted to the retirement systems. However, in the government-wide
statement of activities, retirement is reported based on the allocations
stated in the various retirement system reports. The non-employer
contributions are not reported in the governmental fund statements,
but are reported in the government-wide statement of activities.

Pension expense not requiring current resources (173,918)
Non-employer contributions not providing current resources 33,744 (140,174)

Changes in Net Position of Governmental Activities (124,433)

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

Proprietary Funds

TOWN OF RAYVILLE, LOUISIANA
STATEMENT OF NET POSITION
WATER AND SEWER ENTERPRISE FUND

JUNE 30, 2019

A S S E T S

Current assets:

Cash and cash equivalents	318,609
Customer accounts receivable (net of allowances for uncollectibles of \$47,417)	133,397
Grants receivable	20,684
Unbilled accounts receivable	75,992
Accrued interest	<u>55</u>
Total current assets	548,737

Non-current assets:

Loan cost (net of amortization)	27,768
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Restricted assets (cash and investments):

Construction accounts	8,333
Customer deposits	361,988
Sewer bond funds	106,268
Water bond funds	<u>584,131</u>
Total restricted assets	1,060,720

Property, plant, and equipment:

Land	51,925
Improvements	21,780,148
Less-accumulated depreciation	<u>(7,688,486)</u>
Net property, plant, and equipment	<u>14,143,587</u>

Total non-current assets	15,232,075
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Deferred outflows:

Deferred pension outflow	132,394
Deferred outflows of resources	<u>74,436</u>
Total deferred outflow of resources	<u>206,830</u>

Total assets and deferred outflows	<u><u>15,987,642</u></u>
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The accompanying notes are an integral part of the financial statements.

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	218,779
Other accrued expenses	19,801
Current portion of capital lease payable	1,929
Estimated compensated absences	<u>10,970</u>
Total current liabilities	251,479

Current liabilities-restricted assets:

Customer meter deposits	131,400
Current portion of revenue bonds	<u>157,330</u>
Total current liabilities-restricted assets	288,730

Long-term liabilities:

Capital leases payable, beyond one year	-
Revenue bonds	7,738,338
Net pension liability	<u>583,660</u>
Total long-term liabilities	<u>8,321,998</u>

Total liabilities	8,862,207
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Deferred inflow of resources:

Deferred pension inflow	<u>21,483</u>
Total deferred inflow of resources	<u>21,483</u>

Total liabilities and deferred inflow	<u>8,883,690</u>
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Net position:

Net investment in capital assets	6,944,724
Restricted expendable net position	361,988
Unrestricted net position (deficit)	<u>(202,760)</u>
Total net position	<u>7,103,952</u>

Total liabilities, deferred inflows and net position	<u><u>15,987,642</u></u>
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TOWN OF RAYVILLE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION-ALL PROPRIETARY FUND TYPES
WATER AND SEWER ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2019

<u>Operating revenues:</u>	
Charges for services	1,260,790
Lease revenue	88,888
Total operating revenue	1,349,678
 <u>Operating expenses:</u>	
Bad debts	12,359
Depreciation	715,809
Employee benefits	95,799
Fuel	20,921
Insurance	93,365
Professional	110,272
Repairs and equipment	49,110
Salaries	248,913
Supplies	136,604
Telephone and utilities	127,726
Total operating expenses	1,610,878
 <u>Operating (loss)</u>	 (261,200)
 <u>Non-operating revenues (expenses):</u>	
Interest income	2,746
Amortization	(1,229)
Interest expense	(261,954)
Total non-operating revenues (expenses)	(260,437)
 <u>(Loss) before contributions and transfers</u>	 (521,637)
 <u>Other financing sources (uses):</u>	
Grants	258,584
Supplemental LA support	8,793
Transfers in (out):	
General fund	(117,085)
Capital projects fund	(14,038)
Total other financing sources	136,254
 <u>Change in net position</u>	 (385,383)
 <u>Total net position at beginning of year</u>	 7,489,335
 <u>Total net position at end of year</u>	 7,103,952

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

TOWN OF RAYVILLE, LOUISIANA
STATEMENT OF CASH FLOWS, PROPRIETARY FUND TYPES
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2019

<u>Cash flows from operating activities:</u>	
Receipts from customers and users	1,348,117
Payments to suppliers	(493,997)
Payments to employees	<u>(311,635)</u>
Net cash provided by operating activities	542,485
 <u>Cash flows from noncapital financing activities:</u>	
Transfers (to) other funds	<u>(131,123)</u>
Net cash (used) by noncapital financing activities	(131,123)
 <u>Cash flows from capital and related financing activities:</u>	
Construction of capital assets	(245,861)
Principal paid on capital debt	(159,726)
Interest paid on capital debt	(263,594)
Financing on capital construction (grants)	<u>245,860</u>
Net cash (used) by capital and related financing activities	(423,321)
 <u>Cash flows from investing activities:</u>	
Interest on temporary investments	2,798
Interest reinvested	<u>(55)</u>
Net cash provided by investing activities	<u>2,743</u>
<u>Net decrease in cash and cash equivalents</u>	(9,216)
<u>Cash and cash equivalents, beginning of year</u>	<u>1,388,545</u>
<u>Cash and cash equivalents, end of year</u>	<u><u>1,379,329</u></u>

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

TOWN OF RAYVILLE, LOUISIANA
STATEMENT OF CASH FLOWS, PROPRIETARY FUND TYPES
WATER AND SEWER ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2019

<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>	
Operating (loss)	(261,200)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	715,809
Retirement expense – GASB No. 68	29,925
Change in assets and liabilities:	
Decrease in accounts receivable	11,630
Increase in accounts payable	44,001
Increase in accrued liabilities	3,152
(Decrease) in customer deposits	<u>(832)</u>
Total adjustments	<u>803,685</u>
Net cash provided by operating activities	<u><u>542,485</u></u>
 <u>Schedule of cash and cash equivalents</u>	
<u>Current assets:</u>	
Cash and cash equivalents	318,609
 <u>Restricted assets:</u>	
Cash and cash equivalents	<u>1,060,720</u>
Total cash and cash equivalents	<u><u>1,379,329</u></u>

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

Notes to the Financial Statements

TOWN OF RAYVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

I. Summary of Significant Accounting Policies

The Town of Rayville, Louisiana was incorporated in 1911, under the provisions of the Lawrason Act. The Town operates under a Town Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Town of Rayville conform to generally accepted accounting principles as applicable to governments. The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The proprietary fund unit applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies:

A. SCOPE OF REPORTING ENTITY

This report contains all of the funds of the Town of Rayville. There are no significant additional organizations, functions, or activities over which the Town has manifestations of oversight and accountability, or for which the scope of public service or special financial arrangements may require them to be included in this report as per NCGA Statement 1 and GASB 14.

The Town of Rayville appoints the board of directors of the Rayville Housing Authority but has no financial accountability for the Rayville Housing Authority. There is no related-party activity between the Town and the Rayville Housing Authority. The Rayville Housing Authority submits its own financial statements which are a matter of public record. Because there is no financial accountability/obligation between the Town and the Housing Authority, those financial statements are not included in the Town's financial reports.

B. GOVERNMENT-WIDE AND FUND 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 government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

I. Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Management considers each of its funds (General Fund, Special Revenue Funds – Sales Tax Fund and Economic Development Fund, Capital Projects Fund, and Proprietary Fund) to be a major fund.

C. BASIS OF PRESENTATION

FUND CATEGORIES

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report into two generic fund types and two broad fund categories as follows:

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 Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUNDS

Enterprise Funds - 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.

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statement of net position. Their reported fund equity (net total position) is segregated into Investment in Capital Assets, Net of Related Debt, Restricted Net Position, and Unrestricted Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

D. BASIS OF ACCOUNTING

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

I. Summary of Significant Accounting Policies (Continued)

GOVERNMENTAL FUNDS

Revenues are recognized when they become measurable and available as net current assets. Available is generally defined as within 60 days. The revenue recognition is determined for each primary revenue source as detailed below:

SALES TAX - Sales Tax revenue is recorded when taxpayer liability is established and collectibility is reasonably assured using the modified accrual basis of accounting.

FINES – Based on the criteria of legal requirements, measurability, and collectibility, fines are recorded on the accrual basis of accounting.

PROPERTY TAXES - Property tax revenue is recorded when the taxes are levied as they become measurable and available at that time. Property taxes are levied on November 1 and are due and payable at that time. An enforceable lien attaches to the property on January 1, as taxes become delinquent after December 31. The Town bills and collects its own property taxes. Property taxes receivable are accrued, and recognized in the accounts reduced by an allowance for uncollectible taxes receivable when determinable by management.

The Louisiana Municipal Finance Law permits the Town to levy taxes of \$20 per \$100 of assessed valuation. The tax for the current period was 12.64 mills.

TAXPAYER ASSESSED REVENUES - Revenues from taxpayer assessment is recognized when cash is received as that is generally the earliest point that income is measurable and collectible. If taxpayer collectibility and liability are clearly established, as when tax returns are filed but payment while assured is not made, revenue is accrued prior to actual payment. Any refunds of such taxes would be reported as a reduction of revenue at the time the claims are filed with the Town.

MISCELLANEOUS REVENUES - Revenues from facility rental, swimming pool fees and other miscellaneous revenues are recorded as the cash is received.

GRANTS - Grants recorded in governmental funds are recognized as revenue in the accounting period when they become susceptible to accrual. Legal and contractual requirements are reviewed in making this determination with each grant. Generally revenue is recorded at the time of receipt or earlier if the susceptibility to accrual criteria is met. As expenditures are often the prime factor for determining eligibility, revenues are recognized when the expenditure is made. If cost sharing or matching requirements exist, revenue recognition depends upon compliance with these requirements. Grants are included as Intergovernmental Revenue.

The measurement focus of governmental funds is on expenditures which represent decreases in net financial resources. Most expenditures are measurable and should be recorded when the related liability is incurred. The expenditures shall be the amount accrued during the year that would normally be liquidated with expendable available financial resources.

The expenditures for the following are recognized as detailed below:

COMPENSATED ABSENCES. Historically, all accumulated unpaid sick pay is accrued when incurred in the governmental fund. Such accruals are to be paid with current available spendable resources and therefore represent current liabilities.

I. Summary of Significant Accounting Policies (Continued)

PENSION EXPENDITURES. The expenditure is recognized as the amount accrued during the year that will be liquidated with expendable available financial resources. This accrual is established by the amount of the payroll and the multiple employer retirement plans. All accrued amounts are considered to be current liabilities. The Town implemented GASB 68 in the prior year. The implementation of GASB 68 impacts the Government wide statements only.

LONG-TERM DEBT. Expenditures for principal and interest on general obligation long-term debt are recorded in the year of payment.

INVENTORY. Inventory items (material and supplies) are considered to be insignificant and are reported as expenditures when purchased.

POSTEMPLOYMENT BENEFITS. The Town offers no Postemployment benefits other than retirement system pensions.

PROPRIETARY FUNDS

The proprietary fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses are limited to items directly related to the services of the Water and Sewer Systems and Lease Revenue. All other items are considered nonoperating. The following revenue or expense recognition applies:

UNBILLED WATER RECEIVABLES - The Town utilizes cycle billing to generate its water and sewer bills. The unbilled cycle representing water and sewer services provided is accrued for revenue recognition in the period earned.

COMPENSATED ABSENCES - Sick pay applicable to employees of the Water and Sewer Fund is accrued as it is earned and the expense recognized in the period incurred.

PENSION EXPENSE – Historically, the pension expense applicable to employees of the Water and Sewer Fund was accrued as the salary is expensed upon which the cost is based. The Town implemented GASB 68 in the prior year. Accordingly, pension expense calculation is now affected by the Pension Plan financial reports.

INVENTORY - Inventory items (material and supplies) are considered to be nonmaterial and are reported as expenses when purchased.

POSTEMPLOYMENT BENEFITS. The Town offers no Postemployment benefits other than retirement system pensions.

E. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$2,500 or more for capitalizing capital assets used in the governmental funds. The Town elected not to report major general infrastructure assets retroactively.

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

I. Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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>
Governmental activities:	
Land improvements	30 years
Buildings	40 years
Vehicles	5-15 years
Machinery and equipment	5-15 years
Business-type activities/enterprise fund:	
Buildings	25 years
Systems and improvements	20-50 years
Machinery and equipment	10-20 years
Vehicles	5 years

F. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category, the deferred pension related items reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category; deferred pension related items reported in the government wide statement of net position.

G. FUND BALANCE AND EQUITY CLASSIFICATIONS

Fund Balance

The Town of Rayville has implemented GASB 54. The Town assumes that when amounts are expended for purposes for which funds in any of the unrestricted classifications could be used, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts.

Restricted Fund Balance: Restricted fund balance includes amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

Committed Fund Balance: The Town's highest level of decision making authority is through the process of adopting an ordinance. As such, an ordinance is introduced at an open Town Council meeting and adoption (or lack thereof) is at the next open Town Council meeting.

I. Summary of Significant Accounting Policies (Continued)

Assigned Fund Balance: The Special Revenue – Sales Tax Fund was established by the passage and renewal of the tax rate. The Town Council and Mayor administer the fund for the benefit of the Town’s General Fund.

Unassigned Fund Balance: Fund balance that is the residual classification for the General Fund.

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 that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted assets – consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted assets – all other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

H. ESTIMATES

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

I. BUDGETS AND BUDGETARY ACCOUNTING

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

- a. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The statement of revenues, expenditures, and changes in fund balances - budget and actual for all governmental fund types presents comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis and those used to present financial statements in conformity with generally accepted accounting principles are the same and no adjustment is necessary to convert the actual GAAP data to the budgetary basis.
- c. Unused appropriations of all of the above annually budgeted funds lapse at the end of the fiscal year.
- d. Prior to June 15, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to June 30, the budget is legally enacted through the passage of an ordinance.

I. Summary of Significant Accounting Policies (Continued)

- e. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council. Therefore the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
- f. The budgets were not amended in the reporting year. The budget amounts shown in the financial statements are the final authorized amounts.

II. Stewardship, Compliance, and Accountability

A. BUDGETARY COMPLIANCE

The Town was not in compliance with the General Fund budget. The Town was in compliance with the Sales Tax Special Revenue Fund Budget. The Town did not adopt a budget for the Economic Development Special Revenue Fund or the Capital Projects Fund.

B. BOND RESTRICTIONS

(a) WATER REVENUE BONDS

The Water Revenue Bonds issued on July 28, 1998, are secured by and payable solely from the income and revenues derived or to be derived from the operation of the water system after provision has been made for the payment of the reasonable and necessary expenses of operating and maintaining the system.

The bond agreement requires the Town to maintain certain cash accounts (Water Revenue Fund, Sinking Fund, Reserve Fund, and Contingency Fund) and sets forth the balances that must be maintained in these restricted accounts. At June 30, 2019, the Town was adequately funded in the cash restricted for the Water Revenue Bonds.

(b) 2006 SEWER BOND (SEWER PHASE I)

The 2006 Sewer Bonds issued on November 14, 2006, are secured by and payable solely from the income and revenues derived or to be derived from the operation of the sewer system after provision has been made for the payment of the reasonable and necessary expenses of operating and maintaining the system.

The bond agreement requires the Town to maintain certain cash accounts (Depreciation Fund, Reserve Fund, and Contingency Fund) and sets forth the balances that must be maintained in these restricted accounts. At June 30, 2019, the Town had not adequately funded the cash restricted for the 2006 Sewer Bonds; however, excess funds from restricted cash for customer deposits had been assigned to be transferred to the Sewer Bonds cash accounts.

(c) 2007 SEWER BOND (SEWER PHASE II)

The 2007 Sewer Bonds issued on October 11, 2007, are secured by and payable solely from the income and revenues derived or to be derived from the operation of the sewer system after provision has been made for the payment of the reasonable and necessary expenses of operating and maintaining the system.

II. Stewardship, Compliance, and Accountability (Continued)

The bond agreement requires the Town to establish certain cash accounts (Debt Service Fund and Depreciation Fund) and sets forth the balances that must be maintained in these restricted accounts. At June 30, 2019, the Town had not adequately funded the required cash accounts; however, excess funds from restricted cash for customer deposits had been assigned to be transferred to the Sewer Bonds cash accounts.

(d) WATER PHASE I & WATER PHASE II

The Water Phase I Bonds issued on June 9, 2010, and the Water Phase II Bonds issued on May 12, 2014, are secured by and payable solely from the income and revenue derived or to be derived from the operation of the water system after provision has been made for the payment of the reasonable and necessary expenses of operating and maintaining the system.

The bond agreement requires the Town to establish certain cash accounts (Sinking Fund, Debt Service Fund, and Depreciation Fund) and sets forth the balances that must be maintained in these restricted accounts. At June 30, 2019, the Town had not adequately funded the required cash accounts; however, excess funds from restricted cash for customer deposits had been assigned to be transferred to the Water Revenue Bonds cash accounts.

(e) WASTE WATER TREATMENT PLANT

The Waste Water Treatment Plant Bonds issued on September 17, 2012 are secured by and payable solely from the income and revenue derived or to be derived from the operation of the sewer system after provision has been made for the payment of the reasonable and necessary expenses of operating and maintaining the system.

The bond agreement requires the Town to establish certain cash accounts (Debt Service Reserve, Short-Lived Asset, Depreciation Reserves, O&M Reserve, and Depreciation/Contingency Reserve) and sets forth the balances that must be maintained in these restricted accounts. At June 30, 2019, the Town had not adequately funded the required cash accounts; however, excess funds from restricted cash for customer deposits had been assigned to be transferred to the Water Revenue Bonds cash accounts.

III. Detail Notes on All Funds and Account Groups

A. ASSETS

1. Cash and Investments

Cash includes cash on hand, amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with maturities of 90 days or less. On the Water and Sewer Enterprise Fund Statement of Cash Flows, cash includes the following accounts:

Current Assets:	
Cash and cash equivalents	318,609
Restricted Assets:	
Certificate of deposit	56,829
Construction accounts	8,333
Customer deposit	305,159
Sewer Bond Fund Reserves	106,268
Water Bond Fund Reserves	<u>584,131</u>
Cash and Cash Equivalents, end of year	<u>1,379,329</u>

III. Detail Notes on All Funds and Account Groups (Continued)

Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their maturities exceed 90 days; however, if the maturities are 90 days or less, they are classified as cash equivalents.

At June 30, 2019, the Town had cash and cash equivalents (book balances) as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash	614	-	614
Checking account	565,002	1,019,722	1,584,724
Time deposits	<u>390,699</u>	<u>84,313</u>	<u>475,012</u>
Total	<u>956,315</u>	<u>1,104,035</u>	<u>2,060,350</u>

	<u>Cash Equivalents</u>		
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
At June 30, 2019: Carrying amount on balance sheet	<u>1,584,724</u>	<u>475,012</u>	<u>2,059,736</u>

	<u>Cash</u>	<u>CDs</u>	<u>Total</u>
<u>Bank balances:</u>			
a: Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name</u>	500,000	306,829	806,829
b: Uncollateralized, securities held for the entity but <u>not in the entity's name</u>	<u>1,085,458</u>	<u>168,183</u>	<u>1,253,641</u>
Total bank balances	<u>1,585,458</u>	<u>475,012</u>	<u>2,060,470</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

III. Detail Notes on All Funds and Account Groups (Continued)

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

2. Allowance for Uncollectible Accounts

At June 30, 2019, the allowance for estimated uncollectible accounts was \$47,417 in the Water and Sewer Enterprise Fund.

3. Changes in General Governmental Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Construction in progress	45,054	195,764	-	240,818
Land	<u>802,540</u>	<u>-</u>	<u>(15,250)</u>	<u>787,290</u>
Total capital assets, not being depreciated	<u>847,594</u>	<u>195,764</u>	<u>(15,250)</u>	<u>1,028,108</u>
Capital assets being depreciated				
Buildings and improvements	2,244,395	-	-	2,244,395
Land improvements	6,523,091	-	-	6,523,091
Machinery & equipment	570,111	4,800	(6,955)	567,956
Vehicles	<u>481,346</u>	<u>36,730</u>	<u>(147,439)</u>	<u>370,637</u>
Total capital assets being depreciated	9,818,943	41,530	(154,394)	9,706,079
Less accumulated depreciation for:				
Buildings and improvements	(1,539,245)	(59,810)	-	(1,599,055)
Land improvements	(2,678,238)	(265,605)	-	(2,943,843)
Machinery & equipment	(363,010)	(38,719)	6,955	(394,774)
Vehicles	<u>(401,294)</u>	<u>(43,310)</u>	<u>147,439</u>	<u>(297,165)</u>
Total accumulated depreciation	<u>(4,981,787)</u>	<u>(407,444)</u>	<u>154,394</u>	<u>(5,234,837)</u>
Total capital assets being depreciated, net	<u>4,837,156</u>	<u>(365,914)</u>	<u>-</u>	<u>4,471,242</u>

III. Detail Notes on All Funds and Account Groups (Continued)

Depreciation expense of \$407,444 for the year ended June 30, 2019, was charged to the following governmental functions:

General government	114,844
Public safety:	
Police	21,435
Fire	13,270
Public works:	
Streets	43,163
Recreation	17,615
Airport	<u>197,117</u>
Total	<u><u>407,444</u></u>

4. Changes in Proprietary Fund Fixed Assets

A summary of Proprietary Fund Type Property, Plant, and Equipment at June 30, 2019, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated				
Construction in progress	305,725	-	(53,027)	252,698
Land	<u>51,925</u>	<u>-</u>	<u>-</u>	<u>51,925</u>
Total capital assets, not being depreciated	<u>357,650</u>	<u>-</u>	<u>(53,027)</u>	<u>304,623</u>
Capital assets being depreciated				
Water & waste water systems	20,954,219	331,231	-	21,285,450
Machinery, equipment, and vehicles	<u>241,999</u>	<u>-</u>	<u>-</u>	<u>241,999</u>
Total capital assets being depreciated	21,196,218	331,231	-	21,527,449
Less accumulated depreciation for:				
Water & waste water systems	(6,756,243)	(703,837)	-	(7,460,080)
Machinery, equipment, and vehicles	<u>(216,433)</u>	<u>(11,972)</u>	<u>-</u>	<u>(228,405)</u>
Total accumulated depreciation	<u>(6,972,676)</u>	<u>(715,809)</u>	<u>-</u>	<u>(7,688,485)</u>
Total capital assets being depreciated, net	<u>14,223,542</u>	<u>(384,578)</u>	<u>-</u>	<u>13,838,964</u>

III. Detail Notes on All Funds and Account Groups (Continued)

5. Capital assets acquired through leases are summarized as follows:

	<u>Capital Asset</u>	<u>Accumulated Depreciation</u>
General Fund:		
Vehicles	199,867	151,901
Equipment	255,889	201,004
Proprietary Fund:		
Equipment	40,965	40,965

B. LIABILITIES

1. PENSION AND RETIREMENT PLANS

Defined Benefit Pension Plans

The employees of the Town of Rayville, Louisiana participate in a Statewide Local Government Retirement System, a multiple-employer public employee retirement system. The Town’s employees participate in the Municipal Employees’ Retirement System of Louisiana (“MERS”), the Municipal Police Employees’ Retirement System of Louisiana (“MPERS”), and the Firefighters Retirement System of Louisiana (“FRS”).

Covered employees are required by State statute to contribute a set percent of their salary to the plans. The Town is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. In the current year, the Town’s contribution percentage ranged from 26% to 32.25%, determined by the plan in which the employee participated. The contribution requirements and payroll for employees covered by the systems are shown in the schedule below.

<u>Years ended June 30</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total payroll	1,352,532	1,207,211	1,250,125	1,232,004
Total covered payroll	927,457	862,340	987,401	970,672
Employee contributions	87,760	82,366	95,014	92,620
Town contributions	258,064	226,469	260,870	235,663

Employee eligibility, vesting of benefits, the pension benefit obligation contribution requirements and other actuarial and historical trend information on the MERS, MPERS, and FRS can be obtained from the audit reports of each plan which are available for public inspection.

MUNICIPAL EMPLOYEES’ RETIREMENT SYSTEM OF LOUISIANA

The Municipal Employees’ Retirement System of Louisiana (MERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. MERS was established and provided for by R.S.11:1731 of the Louisiana Revised Statutes (LRS).

MERS provides retirement benefits to employees of all incorporated villages, town, and cities within the State which do not have their own retirement system and which elect to become members of MERS. Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Retirement provisions are authorized within Act 356 of the 1954 regular session and amended by

III. Detail Notes on All Funds and Account Groups (Continued)

LRS 11:1756 – 11:1785. MERS provides retirement benefits, survivor benefits, DROP benefits, and disability benefits. Benefits are calculated based on a percentage of the member’s monthly average final compensation and the member’s years of creditable service. MERS is authorized to grant a cost of living increase to members. The adjustment cannot exceed 2% of the retiree’s original benefit for each full calendar year since retirement. An additional cost of living increase is allowed for certain retirees.

Contributions for all members are established by statute. According to state statute, contributions for all employers are actuarially determined each year. For the year ended June 30, 2019, the actual employer contribution rate was 26%. The system also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities.

Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. Key information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal cost
Investment rate of return	7.275%
Inflation Rate	2.60%
Mortality	Rates based on the RP-2000 Sex Distinct Mortality Table
Salary increases	5.00%

The discount rate used to measure the total pension liability was 7.275%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates. Based on those assumptions, MERS’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

As of the valuation date of June 30, 2018, MERS reported the following members:

Inactive plan members or beneficiaries receiving benefits	3,468
Inactive plan members entitled to but not yet receiving benefits	3,179
Active plan members	<u>4,888</u>
Total participants as of the valuation date	<u>11,535</u>

The Town’s Deferred Outflow of Resources (employer’s contributions subsequent to the measurement date) to MERS was \$158,376.

MERS used the accrual basis of accounting in preparing the financial statements. MERS issued a stand-alone audit report on its financial statements. Access to the audit report can be found on MERS’s website: www.mersla.com or on the Office of Louisiana Legislative Auditor’s official website: www.la.state.la.us.

III. Detail Notes on All Funds and Account Groups (Continued)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

The Municipal Police Employees' Retirement System (MPERS) is the administrator of a cost-sharing multiple-employer plan. Membership in MPERS is mandatory for any full-time police officer employed by a municipality of the State of Louisiana. MPERS provides retirement benefits for municipal police officers and survivor benefits. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211 – 11:2233.

Benefits are calculated based on a percentage of the member's monthly average final compensation and the member's years of creditable service. MPERS is authorized to grant a cost of living increase to members. The adjustment is computed on the amount of the current benefit, not to exceed 3% in any given year. An additional cost of living increase is allowed for certain retirees.

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2019, total contributions due for employers and employees were 33.25%. MPERS also receives insurance premium tax monies as additional employer contributions.

Key information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal cost
Investment rate of return	7.20% net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.6%
Salary increases	4.25% to 9.75%

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates. Based on those assumptions, MPERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

As of the valuation date of June 30, 2018, MPERS reported the following members:

Active participants	5,865
Terminated with Funds on Deposit	1,750
Retired	<u>4,736</u>
Total participants as of the valuation date	<u>12,351</u>

The Town's Deferred Outflow of Resources (employer's contributions subsequent to the measurement date) to MPERS was \$82,087.

MPERS used the accrual basis of accounting in preparing the financial statements. MPERS issued a stand-alone audit report on its financial statements. Access to the audit report can be found on MPERS's website: www.lampers.org or on the Office of Louisiana Legislative Auditor's official website: www.la.state.la.us.

III. Detail Notes on All Funds and Account Groups (Continued)

FIREFIGHTERS' RETIREMENT SYSTEM

The Firefighters' Retirement System (FRS) is the administrator of a cost-sharing multiple-employer plan. Membership in FRS is a condition of employment for any full-time firefighters who earn more than \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana.

Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251 – 11:2272. Benefits are calculated based on a percentage of the member's monthly average final compensation and the member's years of creditable service.

Employer contributions are actuarially determined each year. For the year ended June 30, 2019, the combined (employer and employee) rate was 26.50%. FRS also receives insurance premium tax monies as additional employer contributions.

Key information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal cost
Investment rate of return	7.3% net of investment expense
Expected Remaining Service Life	7 years
Inflation Rate	2.700%
Salary increases	4.75% to 15.0%
Cost of Living Adjustments	Only those previously granted

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates. Based on those assumptions, FRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

As of the valuation date of June 30, 2018, FRS reported the following members:

Active participants	4,616
Terminated with Funds on Deposit	732
Retired	<u>2,327</u>
Total participants as of the valuation date	<u>7,675</u>

The Town's Deferred Outflow of Resources (employer's contributions subsequent to the measurement date) to FRS was \$17,062.

FRS used the accrual basis of accounting in preparing the financial statements. FRS issued a stand-alone audit report on its financial statements. Access to the audit report can be found on FRS's website: www.lafirefightersret.com or on the Office of Louisiana Legislative Auditor's official website: www.la.state.la.us.

III. Detail Notes on All Funds and Account Group (Continued)

Town of Rayville
All Retirement Systems
Actuarial date and measurement date: June 30, 2018

	<u>MERS</u>	<u>MPERS</u>	<u>FRS</u>	<u>Total Systems</u>
Projected Required Combined Contributions	135,519	70,069	20,883	226,471
Employer Allocation Percentage	0.299991	0.077213	0.033099	
Net Pension Liability	1,241,831	652,763	190,388	2,084,982
Deferred Outflows				
Differences between expected & actual experience	-	2,943	-	2,943
Net differences between projected & actual earnings	190,303	31,292	12,380	233,975
Changes in assumptions	37,383	42,658	13,281	93,322
Changes in proportion	54,002	52,288	36,223	142,513
Contributions subsequent to measurement date	<u>158,376</u>	<u>82,087</u>	<u>17,062</u>	<u>257,525</u>
Total Deferred Outflow	<u>440,064</u>	<u>211,268</u>	<u>78,946</u>	<u>730,278</u>
Deferred Inflows				
Differences between expected & actual experience	44,154	33,358	14,491	92,003
Net differences between projected & actual earnings	-	-	-	-
Changes of assumptions	-	-	30	30
Changes in proportion	<u>1,555</u>	<u>313,288</u>	<u>37,631</u>	<u>352,474</u>
Total Deferred Inflows	<u>45,709</u>	<u>346,646</u>	<u>52,152</u>	<u>444,507</u>
Pension Expense				
Proportionate share of plan pension expense	194,243	97,209	32,684	324,136
Net amortization of deferred amounts from changes in proportion	<u>16,378</u>	<u>(82,615)</u>	<u>(948)</u>	<u>(67,185)</u>
Total Employer Pension Expense	<u>210,621</u>	<u>14,594</u>	<u>31,736</u>	<u>256,951</u>
Proportionate Share				
Employer contributions	136,118	70,137	20,933	227,188
Non-employer contributions	18,708	15,237	8,591	42,536
Schedule of Net Pension Liability				
Sensitivity to Change in Discount Rate				
Employer's Proportionate Share	0.299991	0.077213	0.033099	
1% Decrease	1,595,245	917,313	277,821	2,790,379
1% Increase	940,179	430,816	116,914	1,487,909
Amortization Schedule				
2019	126,964	(33,044)	10,746	104,666
2020	73,932	(84,200)	3,503	(6,765)
2021	29,644	(101,358)	397	(71,317)
2022	5,439	1,137	(2,779)	3,797
2023	-	-	(209)	(209)
2024	-	-	(1,926)	(1,926)
	<u>235,979</u>	<u>(217,465)</u>	<u>9,732</u>	<u>28,246</u>

III. Detail Notes on All Funds and Account Groups (Continued)

2. COMPENSATED ABSENCES

Accumulated unpaid sick pay and comp pay are accrued when incurred in proprietary and governmental funds. At June 30, 2019, the recorded accruals in the General Fund and the Water and Sewer Fund were as follows:

General Fund	57,495
Water and Sewer Fund	<u>10,970</u>
Total	<u>68,465</u>

These amounts do not exceed a normal year's accumulations.

3. LONG-TERM DEBT

(a) Description of Long-Term Debt

Bonds and Notes Payable at June 30, 2019, are comprised of the following issues:

	<u>Outstanding Principal</u>
1,054,000 Rural Development Water Revenue Bonds due in monthly payments through July, 2038. Interest rate 4.75%	729,130
194,000 2006 Sewer Bonds due in monthly payments through November 2046. Interest rate 4.125%	163,708
378,000 2007 Sewer Bonds due in monthly payments through September 2047. Interest rate 4.125%	317,719
2,153,000 Water Phase I Bonds due in monthly payments through May 2050. Interest rate 4.25%	1,946,952
4,015,000 Waste Water Bonds due in monthly payments through September 2052. Interest rate 2.125%	3,605,951
34,254 Ally Bank (Truck) due in monthly payments through September 2019. Interest rate 4.99%	1,929
1,190,000 Water Phase II Bonds due in monthly payments through May 2054. Interest rate 4.125%.	<u>1,132,208</u>
Total Bonds and Notes Payable	<u><u>7,897,597</u></u>

III. Detail Notes on All Funds and Account Groups (Continued)

All above revenue bonds and note payable are being serviced – principal and interest by the Water and Sewer Fund.

The following leases and note payable are being serviced – principal and interest by the General Fund.

Street 2015 Silverado. Original financing of \$35,353 at 5.79% payable in 72 monthly payments. 17,606

Street 2018 Case Mini Excavator. Original financing of \$41,641 at 5.25% payable in 36 monthly payments through January 2021. 22,801

Fire 2018 Tahoe. Original financing of \$36,730 at 4.26% payable in 6 quarterly payments through September 2020. 30,208

(b) Changes in Debt (Principal Only)

The following is a summary of debt transactions for each fund of the Town for the fiscal year ended June 30, 2019.

	Proprietary Debt								
	Revenue Bonds						Direct	Other	
	Water Phase I	Water Revenue Bonds	Water Phase II	2006 Sewer Bonds	2007 Sewer Bonds	USDA WWTP	Borrowings Ally Bank	Totals	Liabilities Compensated Absences
Payable at July 1, 2018	1,976,686	753,316	1,146,724	166,926	324,031	3,680,240	9,400	8,057,323	8,527
New loans	-	-	-	-	-	-	-	-	10,970
Loans retired	(29,734)	(24,186)	(14,516)	(3,218)	(6,312)	(74,289)	(7,471)	(159,726)	(8,527)
Payable at June 30, 2019	<u>1,946,952</u>	<u>729,130</u>	<u>1,132,208</u>	<u>163,708</u>	<u>317,719</u>	<u>3,605,951</u>	<u>1,929</u>	<u>7,897,597</u>	<u>10,970</u>

	Governmental Debt			
	Direct Borrowings			Other Liabilities
	Equipment	Vehicles	Totals	Compensated Absences
Payable at July 1, 2018	49,745	22,839	72,584	52,392
New lease	-	36,730	36,730	57,495
Capital lease retired	(26,944)	(11,755)	(38,699)	(52,392)
Payable at June 30, 2019	<u>22,801</u>	<u>47,814</u>	<u>70,615</u>	<u>57,495</u>

(c) Changes in Short-Term Debt (Principal Only)

The following is a summary of debt transactions of the Town for the fiscal year ended June 30, 2019.

III. Detail Notes on All Funds and Account Groups (Continued)

	Governmental		Proprietary							
	Direct	Other	Revenue Bonds					Direct	Other	
	Borrowings	Liabilities	Water	Revenue	USDA	2006	2007	Borrowings	Liabilities	
	Loans	Compensated Absences	Phase I	Bonds	WWTP	Sewer Bonds	Sewer Bonds	Phase II	2014 Truck	Compensated Absences
Payable at July 1, 2018	33,163	52,392	29,739	24,189	74,288	3,217	6,310	14,518	7,472	8,527
Loans retired	(33,163)	(52,392)	(29,739)	(24,189)	(74,288)	(3,217)	(6,310)	(14,518)	(7,472)	(8,527)
Allocation of long-term debt	<u>29,158</u>	<u>57,945</u>	<u>31,028</u>	<u>25,363</u>	<u>75,882</u>	<u>3,352</u>	<u>6,576</u>	<u>15,129</u>	<u>1,929</u>	<u>10,970</u>
Payable at June 30, 2019	<u>29,158</u>	<u>57,945</u>	<u>31,028</u>	<u>25,363</u>	<u>75,882</u>	<u>3,352</u>	<u>6,576</u>	<u>15,129</u>	<u>1,929</u>	<u>10,970</u>

(d) Assets Pledged as Collateral

The following capital assets are subject to liens and are pledged as collateral for the related direct borrowings:

Governmental	Capital Asset	Accumulated Depreciation	Proprietary	Capital Asset	Accumulated Depreciation
Street 2015 Chev Silverado	35,353	23,569	2014 Chev Truck	34,254	33,112
Street 2018 Case Mini Excavator	41,641	8,899			
Fire 2018 Chev Tahoe	36,730	5,510			

(e) Net Pension Liability

Based on the various retirement systems' reports, (See Note III.B.1) the Town has reported on the government-wide statements the following as long-term liabilities:

General Fund Net Pension Liability	1,501,322
Water and Sewer Fund Net Pension Liability	<u>583,660</u>
	<u>2,084,982</u>

4. LEASE COMMITMENTS

(a) General Fund

On April 23, 2009 the Town entered into an operating lease agreement for a copier for the police department. The lease agreement calls for 48 monthly payments of \$204. The lease was extended during the fiscal with new terms of 48 monthly payments of \$195. On October 5, 2018, the original lease was transferred to another lessor with new terms of \$129 for the remaining 28 months. In the current year, \$2,020 was paid in copier lease payments.

On October 5, 2018, the Town entered into an operating lease agreement for a copier for the city hall. The lease was for 48 monthly payments of \$207. In the current year, \$2,484 was paid in copier lease payments.

On August 26, 2009, the Town entered into an operating lease agreement for a copier at city hall. The lease agreement calls for 48 monthly payments of \$236. The lease was extended with new terms of 48 monthly payments of \$203. In the current year, \$2,436 was paid in copier lease payments.

In March 2016, the Town purchased a 2015 Silverado. The total cost was \$35,353. The vehicle was financed for 72 months at 5.79%, with monthly payments of \$582.

III. Detail Notes on All Funds and Account Groups (Continued)

On January 29, 2018, the Town entered into a capital lease agreement to purchase a mini-excavator for the street department. The total cost was \$41,641. The equipment was financed for 36 months at 5.25%. The monthly payments are \$1,254.

On October 15, 2018, the Town entered into a capital lease agreement to purchase a 2018 Chevrolet Tahoe for the fire department. The total cost was \$36,730. The vehicle was financed for 16 quarterly payments of \$2,500.99 at 4.26%.

C. INTERFUND RECEIVABLES AND PAYABLES

All routine operating disbursements are made from a Clearing Account Cash Account that is part of the General Fund. Each fund reimburses the Clearing Account for its share of disbursements.

The General Fund's accounts receivable includes \$124,595 that is due to the Clearing Account at June 30, 2019 from the Water and Sewer Fund and the Sales Tax Fund.

During the current fiscal year the General Fund received operating transfers from the Sales Tax Fund of \$1,533,171 and operating transfers from the Water and Sewer Fund of \$117,085. These were routine transfers. Transfers were budgeted in the General Fund and Sales Tax Fund budgets.

D. ON BEHALF OF PAYMENTS FOR SALARIES

Included in the General Fund financial statements are amounts paid by the State of Louisiana as supplemental salaries to the Town's policemen. The payments of \$49,000 are included on the financial statement as Intergovernmental Revenue and Public Safety Expenditures. The government-wide statements also report the non-employee pension contribution in the amount of \$33,744. The contribution is included in Intergovernmental revenue and pension expenditures.

IV. Financial Statement Presentation

A. SALES TAX

The sales tax collections of the Town of Rayville are not restricted as to the use of the monies. The Town assesses 1.50 % sales or use tax. The expiration of the sales tax law passed in April 2013 is July 31, 2023.

The Town's sales tax is composed of two parts. One part is a permanent ½ percent sales tax. The other part is a 1 percent sales tax for a ten year period. The 1 percent sales tax was included on the April 2013 ballot and was renewed for a ten year term that began on July 1, 2013.

As required by Louisiana Law R.S. 33:2844, the sales and use tax collection was centralized within each parish beginning July 1, 1992. The Town of Rayville, in conjunction with the other parish taxing authorities, voted to establish a Richland Parish Tax Commission to serve as the collecting agency. The Richland Parish Tax Commission submits its annual audited financial statements which are a matter of public record.

B. INTEREST EXPENSE PAID

Interest reported as a non-operating expense in the Water and Sewer Enterprise Fund of \$261,954 included accrued interest of \$10,961. Interest paid in the Governmental Fund was \$3,791.

V. Commitments and Contingencies

The Town indicates that there were no pending or threatened litigation, claims, or assessments against the Town that would have a material effect on these financial statements.

Through a Co-operative Endeavor with the State of LA, the Town has planned a project to construct new water facilities. The project budget is \$27,926,690 and consists of several small projects. The funding that has been committed includes \$2,000,000 of the funding from the state and \$2,000,000 in loans to the Town. As of June 30, 2019, two of the projects have been completed and one other project has been started. The total amount of state funding used is \$1,094,890.

VI. Risk of Loss

The Town is exposed to a variety of risks that may result in losses. These risks include possible loss from acts of God, injury to employees, property damage, or breach of contract. The Town finances these potential losses through purchasing insurance from several commercial companies. The level of coverage has remained constant. The Town is not a member of a risk pool. All claims currently filed are adequately covered by the policies in place with no outstanding liabilities expected for the Town.

VII. Compensation Paid to Governing Body

The Town of Rayville, Louisiana has paid the following amounts to members of its governing body:

Valerie Allen	4,800
James Brakefield	4,800
Paula Cumpton	4,800
Debra James	4,800
Timothy Tennant	4,800
Total	<u>24,000</u>

VIII. Change in Accounting Policy

During the year, the Town adopted Government Accounting and Standards Board (GASB) Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Payments*. This new policy was adopted to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct payments, and to provide financial statement users with additional essential information about debt.

IX. Subsequent Events

On July 15, 2019, a transfer was made to the Sewer Phase I Bonds and Sewer Phase II Bonds reserves account. The transfer was funded by excess funds from restricted customer deposits account. These transfers adequately funded the cash accounts for Sewer Phase I Bonds and Sewer Phase II Bonds required reserves.

On July 15, 2019, a transfer was made to the Waste Water Treatment Plant Bonds reserves account. The transfer was funded by excess funds from restricted customer deposits account. These transfers adequately funded the cash accounts for Waste Water Treatment Plant Bonds required reserves.

On July 15, 2019, a transfer was made to the Water Phase I Bonds and Water Phase II Bonds reserves account. The transfer was funded by excess funds from restricted customer deposits account. These transfers adequately funded the cash accounts for Water Phase I Bonds and Water Phase II Bonds required reserve.

Required Supplemental Information

TOWN OF RAYVILLE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	443,000	467,160	24,160
Licenses and permits	162,800	179,653	16,853
Intergovernmental	137,640	136,363	(1,277)
Charges for services	19,000	347,151	328,151
Fines and forfeits	205,600	211,238	5,638
Interest	2,000	6,921	4,921
Other	<u>55,800</u>	<u>49,930</u>	<u>(5,870)</u>
Total revenues	1,025,840	1,398,416	372,576
Expenditures:			
Current:			
General government	953,900	861,137	92,763
Fire	168,700	163,660	5,040
Police	1,036,000	954,820	81,180
Highways and streets	512,900	566,728	(53,828)
Sanitation	320,000	363,972	(43,972)
Recreation	98,700	79,489	19,211
Airport	15,700	8,542	7,158
Capital outlay	<u>-</u>	<u>80,842</u>	<u>(80,842)</u>
Total expenditures	3,105,900	3,079,190	26,710
Excess (deficiency) of revenues over expenditures	(2,080,060)	(1,680,774)	399,286
Other financing sources (uses):			
Capital leases	-	36,731	36,731
Sale of capital asset	-	10,500	10,500
Operating transfers in (out):			
Water and sewer fund	600,000	117,085	(482,915)
Sales tax fund	<u>1,480,120</u>	<u>1,533,171</u>	<u>53,051</u>
Total other financing sources and uses	<u>2,080,120</u>	<u>1,697,487</u>	<u>(382,633)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>60</u>	16,713	<u>16,653</u>
Fund balance at beginning of year		<u>438,914</u>	
Fund balance at end of year		<u>455,627</u>	

See accompanying independent auditor's report.

TOWN OF RAYVILLE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGET (GAAP BASIS) AND
ACTUAL-SALES TAX SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	1,500,000	1,552,517	52,517
Interest	<u>120</u>	<u>767</u>	<u>647</u>
Total revenues	1,500,120	1,553,284	53,164
Expenditures:			
General government:			
Office/administrative	<u>20,000</u>	<u>19,388</u>	<u>612</u>
Total expenditures	<u>20,000</u>	<u>19,388</u>	<u>612</u>
Excess (deficiency) of revenues over expenditures	1,480,120	1,533,896	53,776
Other financing sources (uses):			
Operating transfers in (out)	<u>(1,480,120)</u>	<u>(1,533,171)</u>	<u>(53,051)</u>
Total other financing sources (uses)	<u>(1,480,120)</u>	<u>(1,533,171)</u>	<u>(53,051)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	725	<u>725</u>
Fund balance at beginning of year		<u>299,713</u>	
Fund balance at end of year		<u>300,438</u>	

See accompanying independent auditor's report.

TOWN OF RAYVILLE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL-
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest	<u>30</u>	<u>240</u>	<u>210</u>
Total revenues	30	240	210
Expenditures:			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	30	240	210
Other financing sources (uses):			
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>30</u>	240	<u>210</u>
Fund balance at beginning of year		<u>42,689</u>	
Fund balance at end of year		<u>42,929</u>	

See accompanying independent auditor's report.

TOWN OF RAYVILLE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL-
CAPITAL PROJECTS FUND

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	<u>-</u>	<u>140,822</u>	<u>140,822</u>
Total revenues	-	140,822	140,822
Expenditures:			
Capital outlay	<u>-</u>	<u>156,453</u>	<u>(156,453)</u>
Total expenditures	<u>-</u>	<u>156,453</u>	<u>(156,453)</u>
Excess (deficiency) of revenues over expenditures	-	(15,631)	(15,631)
Other financing sources (uses):			
Operating transfers in (out)	<u>-</u>	<u>14,038</u>	<u>14,038</u>
Total other financing sources (uses)	<u>-</u>	<u>14,038</u>	<u>14,038</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	(1,593)	<u>(1,593)</u>
Fund balance at beginning of year		<u>-</u>	
Fund balance at end of year		<u>(1,593)</u>	

See accompanying independent auditor's report.

TOWN OF RAYVILLE, LOUISIANA

SCHEDULE OF PROPORTIONAL SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2019

	2015			2016			2017			2018			2019		
	MERS	MPERS	FRS	MERS	MPERS	FRS	MERS	MPERS	FRS	MERS	MPERS	FRS	MERS	MPERS	FRS
Town's proportion of the net pension liability	0.286238	0.11941	0.02598	0.284273	0.117404	0.038839	0.28566	0.135295	0.034032	0.297002	0.123337	0.035762	0.299991	0.077213	0.033099
Town's proportionate share of the net pension liability	734,614	747,039	115,609	1,015,468	919,738	209,618	1,182,749	1,268,095	222,600	1,242,485	1,268,095	204,982	1,241,831	685,763	190,388
State's proportionate share of the net pension liability associated with the Town	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>734,614</u>	<u>747,039</u>	<u>115,609</u>	<u>1,015,468</u>	<u>919,738</u>	<u>209,618</u>	<u>1,182,749</u>	<u>1,268,095</u>	<u>222,600</u>	<u>1,242,485</u>	<u>1,268,095</u>	<u>204,982</u>	<u>1,241,831</u>	<u>685,763</u>	<u>190,388</u>
Town's covered employee payroll	502,795	314,568	78,922	515,327	375,980	79,365	539,372	368,707	79,321	547,545	227,866	86,929	609,105	254,533	63,819
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	146.11%	237.48%	146.49%	197.05%	244.62%	264.12%	219.28%	343.93%	280.63%	226.92%	556.51%	235.80%	203.88%	269.42%	298.32%
Plan fiduciary net position as a percentage of the total pension liability	73.99%	75.10%	76.54%	66.18%	70.73%	72.45%	62.11%	66.04%	68.15%	62.49%	70.08%	73.55%	62.49%	70.08%	73.55%

The State makes required contributions to the various retirement systems.
The States share of the Net Pension Liability is not stated.

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

TOWN OF RAYVILLE, LOUISIANA
SCHEDULE OF REQUIRED CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2015			2016			2017			2018			2019		
	MERS	MPERS	FRS	MERS	MPERS	FRS	MERS	MPERS	FRS	MERS	MPERS	FRS	MERS	MPERS	FRS
Contractually required contribuion	97,329	100,294	24,143	101,807	111,161	22,694	122,708	117,079	21,084	135,518	70,069	20,883	158,375	82,087	17,602
Contributions in relation to the contractually required contribution	97,329	100,294	24,143	101,807	111,161	22,694	122,708	117,079	21,084	135,518	70,069	20,883	158,375	82,087	17,602
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Town's covered employee payroll	502,795	314,568	78,922	515,327	375,980	79,365	539,372	368,707	79,321	547,545	227,866	86,929	609,105	254,533	63,819
Contributions as a percentage of covered-employee payroll	19.75%	31.88%	30.59%	19.75%	29.57%	28.59%	22.75%	31.75%	26.58%	24.75%	30.75%	24.02%	26.00%	32.25%	27.58%

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

Supplementary Information

TOWN OF RAYVILLE, LOUISIANA
SCHEDULE OF COMPENSATION AND BENEFITS PAID ELECTED OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Compensation</u>	<u>Benefits</u>
Honorable Harry Lewis, Mayor	56,748	31,069
Willie Robinson, Police Chief	50,232	28,649
Valerie Allen, Board Member	4,800	10,415
Jerry Gordon, Board Member	4,800	10,511
Debra James, Board Member	4,800	9,401
Paula Cumpton, Board Member	4,800	1,259
Timothy Tennant, Board Member (Mayor Pro Tem)	4,800	10,511

TOWN OF RAYVILLE, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2019

Agency Head: Honorable Harry Lewis, Mayor

Salary	56,748
Benefits-insurance-health	7,950
Benefits-retirement	15,577
Cell phone	1,800
Travel/conference	4,676
Registration fees	1,066

Other Reports

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

December 31, 2019

To the Honorable Mayor Harry Lewis
and the Members of the Town Council
Town of Rayville, Louisiana

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Rayville 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, and have issued our report thereon dated December 31, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2019-1 to be a material weakness.



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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as 2019-2 and 2019-3.

Town of Rayville's Response to Findings

The Town of Rayville's response to the findings identified in our audit is described in the accompanying management's corrective action plan for current year findings. 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.

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

Shreveport, Louisiana

TOWN OF RAYVILLE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Town of Rayville, Louisiana.
2. One material weakness relating to the audit of the basic financial statements is reported.
3. Two instances of noncompliance relating to the basic financial statements of the Town of Rayville, Louisiana were disclosed during the audit.
4. The Town of Rayville, Louisiana was not subject to federal single audit for the year ended June 30, 2019.

B. Findings – Financial Statement Audit

2019-1: Inadequate Segregation of Duties:

Due to the Town's limited number of personnel, the segregation of duties is not always possible. It was noted that employees who handle cash receipts and post payments to customer accounts also have the authority to write-off account balances and edit customer accounts, as well as complete deposits. We recommend that the Town separate these functions.

2019-2: Budget Variance:

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

2019-3: Debt Covenant Non-Compliance:

At June 30, 2019, the Town had not adequately funded the cash accounts for the following bonds: 2006 Sewer Bond (Phase I), 2007 Sewer Bond (Sewer Phase II), Water Phase I and II Bonds, and the Waste Water Treatment Plant. During July 2019, Town management made necessary transfers to adequately fund reserves in accordance with debt covenants.

TOWN OF RAYVILLE, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

2018-1: Inadequate Segregation of Duties:

Repeated as 2019-1.

2018-2: Budget Variance:

Repeated as 2019-2.

TOWN OF RAYVILLE

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2019-1

The Town clerk will separate the functions as well as she can, but with the limited number of employees, this may not be completely possible. However, the Town set certain procedures into place during the year to help mitigate this risk.

2019-2

The Town clerk will make efforts to monitor budget variances, and comply with the Budget Act by proposing amendments when necessary.

2019-3

On July 15, 2019, transfers were made to the applicable bond reserve accounts. These transfers adequately funded the cash accounts in accordance with debt covenants.

TOWN OF RAYVILLE, LOUISIANA

**STATEWIDE AGREED-UPON
PROCEDURES REPORT**

YEAR ENDED JUNE 30, 2019

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

December 31, 2019

To the Honorable Mayor Harry Lewis
and the members of the Town Council
Town of Rayville, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Town of Rayville (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 01, 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*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

The entity has written policies and procedures concerning budgeting that adequately address the budget function.

b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The entity has written policies and procedures that adequately address the purchasing function.

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hmv@hmvcpa.com E-MAIL
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- c) Disbursements, including processing, reviewing, and approving.

The entity has written policies and procedures that adequately address the disbursements function.

- 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).

The entity has written policies and procedures that adequately address the receipts and collections.

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

The entity has written policies and procedures that adequately address payroll function.

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

The entity has written policies and procedures that adequately address contracting function.

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

The entity has written policies and procedures that adequately address credit card function.

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

The entity has written policies and procedures that adequately address travel function.

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

The entity has written policies and procedures that adequately address ethics function.

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

The entity has written policies and procedures that adequately address debt service function.

- 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.

Exception: The entity does not have a written policy or procedure addressing the disaster recovery/business continuity process described above.

Management's Response: The Town will update our written policies to include a disaster recovery and business continuity procedure.

Board (or Finance Committee, if applicable)

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The entity's Town Council met monthly with a quorum.

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

Exception: The entity's minutes from each council meeting do not refer to budget-to-actual financial statement comparisons.

Management's Response: The Town plans to use, in the current fiscal year, the budgeting capabilities in the accounting software that provide budget-to-actual reports that will be presented to the Board at monthly meetings.

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

Not applicable. The prior year report did not have a negative ending unrestricted fund balance.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts¹ (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 each selected account, and observe that:

A listing of client bank accounts for the fiscal period was obtained from management.

- 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);

Bank statements evidenced the reconciliations are being prepared within two months of the statement date.

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

Bank statements evidenced the reconciliations are being reviewed monthly.

- 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.

Not applicable. There were no outstanding items greater than 12 months from the statement closing date.

Collections

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

A listing of deposit sites for the fiscal period was obtained from management. There is only one deposit site.

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

¹ Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

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

Employees share the cash drawer. As a dual control, two employees are required to be present when the cash count and recount is performed.

- 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.

No exceptions were noted.

- 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.

No exceptions were noted.

- 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.

No exceptions were noted.

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

The entity carries business insurance coverage over employees who have access to cash.

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

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

No exceptions were noted.

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

No exceptions were noted.

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

No exceptions were noted.

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

Exception: The date the check was received was not documented in one instance. Therefore, the number of days between collection and deposit could not be calculated.

Management's Response: The Town has a procedure in place that documents the date checks are received; the procedure will be adhered to in all instances.

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

No exceptions were noted.

Non-Payroll Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

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 disbursements made during the year was obtained.

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

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

No exceptions noted.

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

No exceptions were noted.

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

Exception: AP clerk and Town Clerk have authority to add new vendors. The AP clerk also processes payments.

Management's Response: All disbursements are reviewed by the Mayor, who does not have the ability to make changes to the vendor file, prior to release. New vendors are required to be documented with a W-9, which is available for review in the physical file.

- 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.

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.

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.

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

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

A listing of all credit cards active within the entity was obtained.

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

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

Monthly statements and supporting documentation are reviewed and approved by the town clerk and the mayor.

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

No financing charges or late fees were assessed on the selected amounts.

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).

Original receipts are required to be kept for purchases using the town's credit cards. The entity does not require the card user to maintain original itemized receipts for fuel transactions using the Voyager Fleet Cards. No meals were purchased.

Exception: Public purpose not identified on supporting documentation in one instance.

Management's Response: The Town has a policy in place that requires the public purpose for all credit card transactions be documented. The procedure will be adhered to in all instances.

Travel and Expense Reimbursement

Not applicable because of no exceptions in previous year.

Contracts

Not applicable because of no exceptions in previous year.

Payroll and Personnel

Not applicable because of no exceptions in previous year.

Ethics (excluding nonprofits)

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

Due to the Payroll and Personnel procedures being not applicable in the current year, there were 5 randomly selected employees from the current year payroll listing.

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

No exceptions were noted.

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

Exception: There was no documentation demonstrating the employee's attestation to reading the Ethics Policy during the fiscal period.

Management's Response: We will implement in the current year the requirement that employees annually verify through signature that they have read the ethics policy.

Debt Service (excluding nonprofits)

Not applicable because of no exceptions in previous year.

Other

Not applicable because of no exceptions in previous year.

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

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

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

Shreveport, Louisiana