

TOWN OF ADDIS, LOUISIANA

ANNUAL FINANCIAL REPORT

**As of and For the Year Ended
December 31, 2017**

TOWN OF ADDIS, LOUISIANA

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December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Town of Addis, Louisiana, ("the Town") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Opinions

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

Other Matters

Prior Year Summarized Comparative Totals

The prior year summarized comparative information has been derived from the Town's 2016 financial statements and, in my report dated June 28, 2017, I expressed an unmodified opinion on the respective financial statements of the governmental activities, business-type activities and each major fund.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, on pages 4 through 11, budgetary comparison information on pages 49 and 50, and Pension Schedules 2 and 3, on pages 51 and 52, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions that collectively comprise the Town's basic financial statements. The accompanying supplemental information schedules and other information as listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Addis, Louisiana.

The accompanying other supplemental information schedules as listed in the foregoing table of contents are the responsibility of management and were derived from and related 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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Other financial information schedules as listed in the foregoing table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated June 22, 2018 on my consideration of the Town's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

W. Kathleen Beard

Certified Public Accountant
Bueche, Louisiana
June 22, 2018

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited)

We offer the readers of the financial statements of the Town of Addis, Louisiana, this narrative overview and analysis of the financial activities of the Town of Addis (hereafter referred to as the "Town") for the fiscal year ended December 31, 2017.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017 fiscal year include the following:

- The Town's assets exceeded its liabilities at the close of the fiscal year by \$11,101,947 (net position). Of this amount, \$2,671,027 (unrestricted net position) may be used to meet the government's obligations to citizens and creditors.
- The Town's total net position increased by \$798,379 for the year ended December 31, 2017. Net position of governmental activities increased by \$383,265, and net position of business-type activities increased by \$415,114.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,410,927, an increase of \$235,331 in comparison with the prior fiscal year. This entire amount was unreserved, undesignated, and available for spending.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$3,410,927 or 109.8% of total General Fund expenditures.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

The **Statement of Activities** presents information showing how the Town's net position changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

The Town's government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Town's governmental activities include general government, public safety, streets and roads. The business-type activities of the Town include sanitary sewer facilities.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. The Town's funds are classified into two categories: governmental funds and proprietary funds.

Governmental Funds: These funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. The focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, a comparison should be made between the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will present a better understanding of the long-term impact of the government's near-term financing decisions.

The Town maintains a General governmental fund which covers the operations of the Town, including police protection services for citizens, maintenance of streets and roads, and the general administrative office.

The Town adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

Proprietary funds: The Town maintains one type of proprietary fund—*Enterprise*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its sanitary sewer facilities activities.

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements. The notes included in this report provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceed liabilities by \$11,101,947 at December 31, 2017.

A large portion of the Town's net position (75 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and fixtures, machinery, vehicles and equipment), less any related debt used to acquire those assets that are still outstanding. The Town used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

A condensed version of the Town's Net Position is presented as follows:

	Government Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 3,543,528	\$ 3,715,417	\$ 602,352	\$ 335,786	\$ 4,145,880	\$ 4,051,203
Capital assets	3,737,640	3,563,644	5,763,078	5,508,776	9,500,718	9,072,420
Total assets	7,281,168	7,279,061	6,365,430	5,844,562	13,646,598	13,123,623
Deferred outflows	227,007	-	-	-	227,007	-
Current and other liabilities	96,803	82,810	104,339	84,059	201,142	166,869
Long-term liabilities	1,367,752	1,600,186	1,138,474	1,053,000	2,506,226	2,653,186
Total liabilities	1,464,555	1,682,996	1,242,813	1,137,059	2,707,368	2,820,055
Deferred Inflows	64,290	-	-	-	64,290	-
Net position:						
Net Investment						
in Capital Assets	3,737,640	3,563,644	4,548,604	4,379,776	8,286,244	7,943,420
Restricted for debt service	-	-	144,676	118,599	144,676	118,599
Unrestricted	2,241,690	2,032,421	429,337	209,129	2,671,027	2,241,550
Total net position	\$ 5,979,330	\$ 5,596,065	\$ 5,122,617	\$ 4,707,504	\$ 11,101,947	\$ 10,303,569

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

The balance of unrestricted net position, \$2,671,027, may be used to meet the government's ongoing obligations to citizens and creditors.

At December 31, 2017, the Town is able to report positive fund balances in all categories of net position for governmental activities and business activities.

The Town's net position increased by \$798,379 during the current fiscal year. Net assets from governmental activities increased \$383,265 and its business-type activities had an increase of \$415,114.

A condensed version of the Town of Addis's Statement of Activities is presented as follows:

	Government Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 468,898	\$ 404,285	\$ 911,714	\$ 627,032	\$ 1,380,612	\$ 1,031,317
Grants and contributions	88,958	145,192	-	-	88,958	145,192
Capital grants and contributions	13,412	11,672	-	-	13,412	11,672
General revenues:						
Sales taxes	2,797,226	2,636,944	-	-	2,797,226	2,636,944
Other taxes	264,252	249,140	-	-	264,252	249,140
Other general revenues	31,968	7,220	-	-	31,968	7,220
Total revenues	3,664,714	3,454,453	911,714	627,032	4,576,428	4,081,485
Expenses						
General government	1,038,410	906,966	-	-	1,038,410	906,966
Public safety	1,392,066	1,257,738	-	-	1,392,066	1,257,738
Public services	558,950	550,084	-	-	558,950	550,084
Water, sewage and gas	-	-	788,623	745,047	788,623	745,047
Total expenses	2,989,426	2,714,788	788,623	745,047	3,778,049	3,459,835
Excess (Deficiency) before Transfers	675,288	739,665	123,091	(118,015)	798,379	621,650
Transfers	(292,023)	-	292,023	-	-	-
Change in net position	383,265	739,665	415,114	(118,015)	798,379	621,650
Net position, beginning of year	5,596,065	4,856,400	4,707,503	4,825,518	10,303,568	9,681,918
Net position, end of year	\$ 5,979,330	\$ 5,596,065	\$ 5,122,617	\$ 4,707,503	\$ 11,101,947	\$ 10,303,568

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

GOVERNMENTAL FUND FINANCIAL ANALYSIS

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As a measure of the Town's liquidity, it may be useful to compare fund balance to total expenditures. Fund balance represents 109.8% of total fund expenditures.

During the current year, the fund balance of the Town's general fund increased by \$235,331.

Proprietary Funds. The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. As noted above, the Town maintains one enterprise fund for its sanitary sewer facilities activities. For the fiscal year ended December 31, 2017, this fund reported net assets of \$5,122,617 which is a net increase from the prior year of \$415,114. This increase reflects the transfer in from the general fund of \$292,023.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town received \$85,884 less than its budgeted revenues. Total expenditures were less than the final amended budget by \$176,964 resulting in a \$91,080 favorable variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town's investment in capital assets for its governmental and business type activities as of December 31, 2017 amounts to \$9,500,718 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and wastewater treatment plant.

Major capital asset events during the current fiscal year included the following:

- \$84,950 was spent to purchase and equip two new police vehicles
- \$31,231 was spent for improvements at the town park.
- \$66,160 was spent on town hall and fire station
- \$13,755 on equipment for public works
- \$374,198 was spent on the sewer station
- \$115,982 was spent on sewer lines
- \$286,769 was spent to overlay streets

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

	Government Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 208,338	\$ 208,338	\$ 16,755	\$ 16,755	\$ 225,093	\$ 225,093
Land rights	-	-	42,921	42,921	42,921	42,921
Construction in Progress	-	-	115,982	-	115,982	-
Improvements other than buildings	3,013,820	2,727,051	-	-	3,013,820	2,727,051
Buildings and structures	935,517	869,356	86,169	86,169	1,021,686	955,525
Museum	196,669	196,669	-	-	196,669	196,669
Historic railroad park	828,599	797,368	-	-	828,599	797,368
Sewer facility	-	-	8,754,405	8,403,262	8,754,405	8,403,262
Furniture and fixtures	33,182	33,182	-	-	33,182	33,182
Vehicles						
Town	31,224	31,224	72,546	72,546	103,770	103,770
Police	466,910	426,371	-	-	466,910	426,371
Machinery and equipment						
Town	468,489	454,733	306,531	306,531	775,020	761,264
Police	96,449	96,449	-	-	96,449	96,449
Website	12,195	12,195	-	-	12,195	12,195
Works of art	9,343	9,343	-	-	9,343	9,343
Subtotal	6,300,734	5,862,279	9,395,309	8,928,184	15,696,044	14,790,463
Less: Accumulated depreciation	(2,563,094)	(2,298,637)	(3,632,231)	(3,419,409)	(6,195,325)	(5,718,046)
Total Capital Assets, net of A/D	\$ 3,737,640	\$ 3,563,642	\$ 5,763,078	\$ 5,508,776	\$ 9,500,719	\$ 9,072,417

Town Of Addis, Louisiana

Management’s Discussion and Analysis (Unaudited), Continued

Town of Addis’s Long Term Debt

Long-term Debt:

The Department of Environmental Quality (DEQ) project to upgrade the wastewater treatment plant began in 2010 and is financed by issuance of \$1,569,060 Sewer Revenue Bonds Series 2010. The bonds were purchased by the Clean Water State Revolving Fund (CFDA 66.458) administered by the Louisiana Department of Environmental Quality. All projects were completed during 2012 and the Town had received loan proceeds in the amount of \$1,569,060. As of December 31, 2017, the outstanding loan balance was \$1,129,000. During 2017 another loan was approved for up to \$3,000,000 for improvements to the sewer system. The town received \$161,474 during the year. The total outstanding on the two loans was \$1,214,474 as of December 31, 2017. The Town has approved rate increases to finance repayment of the loan.

Long Term Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue Bonds Payable	\$ -	\$ -	\$ 1,214,474	\$ 1,129,000	\$ 1,214,474	\$ 1,129,000
Net Pension Liability	1,367,752	1,575,130	-	-	1,367,752	1,575,130
Total Long Term Debt	\$ 1,367,752	\$ 1,575,130	\$ 1,214,474	\$ 1,129,000	\$ 2,582,226	\$ 2,704,130

NEW ACCOUNTING PRONOUNCEMENT IMPLEMENTED

The Town was required to adopt GASB Statement No. 82, *Pension Issues* for the fiscal year ended December 31, 2017. The only impact on the Town is a change in terminology for the payroll-related measures in the required supplementary information from *covered-employee payroll* to *covered payroll*.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Generally, the outlook for 2018 is favorable as far as income is concerned. The sales tax received for the year are budgeted conservatively and the sales tax dollars collected year to date is well above projections and there are no indication this will change going forward for the remainder of the year.

Health insurance premiums were budgeted for a 15% increase but were only increased by 10% by the insurance company, and employees were given a 4% raise in salaries. Police retirement decreased .5%

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

due to decrease in the percentage the Town has to contribute to the officers' retirement. The Town has approved a \$575,000 road improvement project and these items should be adequately covered by expected income and monies received from FEMA for Natural Disasters from the floods of 2016 and Hurricane Gustav.

The Sewer budget was increased to accommodate upgrades to the system. Health insurance was budgeted for a 15% increase but were only increased by 10% by the insurance company and the employees were given a 4% increase in salaries. Sewer fees were increased in 2017 as the Town entered into a new low interest loan from DEQ for sewer infrastructure improvements and upgrades.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Jade Simpson, Town Clerk, at (225) 687-4844.

TOWN OF ADDIS, LOUISIANA

Statement of Net Position

December 31, 2017 with summarized comparative totals for 2016

	Primary Government			2016 Total
	Government activities	Business-type activities	Total	
Assets				
Cash and cash equivalents	\$ 3,007,560	\$ 141,506	\$ 3,149,066	\$ 2,701,921
Investments	135,225	-	135,225	134,965
Receivables, net	348,007	199,468	547,475	515,033
Internal balances	-	-	-	-
Prepays	35,798	12,073	47,871	37,814
Inventory	-	26,727	26,727	20,125
Restricted Cash and cash equivalents	16,938	222,578	239,516	210,775
Capital assets:				
Non-depreciable	208,338	175,657	383,995	268,014
Depreciable, net of depreciation	3,529,302	5,587,421	9,116,723	8,804,406
Total assets	7,281,168	6,365,430	13,646,598	12,693,053
Deferred Outflow of Resources	227,007	-	227,007	430,570
Total assets and deferred outflows of resources	7,508,175	6,365,430	13,873,605	13,123,623
Liabilities				
Current liabilities:				
Accounts payable	73,120	23,030	96,150	69,457
Accrued liabilities	7,197	-	7,197	5,188
Accrued interest payable	-	1,902	1,902	1,768
Retainage payable	-	-	-	-
Due to other governments	-	-	-	-
Refunds payable	-	-	-	-
Unearned revenue	-	3,407	3,407	-
Payable from restricted assets				
Civil bonds held	16,486	-	16,486	14,456
Bonds payable, due within one year	-	76,000	76,000	76,000
Noncurrent liabilities:				
Bonds payable, due in more than one year	-	1,138,474	1,138,474	1,053,000
Net pension liability	1,367,752	-	1,367,752	1,575,130
Total liabilities	1,464,555	1,242,813	2,707,368	2,794,999
Deferred Inflow of Resources	64,290	-	64,290	25,056
Total liabilities and deferred inflows of resources	1,528,845	1,242,813	2,771,658	2,820,055
Net Position				
Invested in capital assets, net of related debt	3,737,640	4,548,604	8,286,244	7,943,420
Restricted for Debt service	-	144,676	144,676	118,599
Unrestricted	2,241,690	429,337	2,671,027	2,241,549
Total net position	\$ 5,979,330	\$ 5,122,617	\$11,101,947	\$10,303,568

TOWN OF ADDIS, LOUISIANA

Statement of Activities

For the Year Ended December 31, 2017 with summarized comparative totals for 2016

	Expenses	Program Revenues			Net (expenses) revenue and change in net position			2016 Totals
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Primary Government Business-type activities	Total	
Functions/programs								
Primary government:								
Governmental activities:								
General government	\$ 1,038,410	\$ 206,115	\$ -	\$ -	\$ (832,295)	\$ -	\$ (832,295)	\$ (562,813)
Public safety	1,392,066	241,713	88,958	13,412	(1,047,983)	-	(1,047,983)	(1,057,258)
Public works	558,950	21,070	-	-	(537,880)	-	(537,880)	(533,568)
Total governmental activities	2,989,426	468,898	88,958	13,412	(2,418,158)	-	(2,418,158)	(2,153,639)
Business-type activities								
Sewer user charges	788,623	911,714	-	-	-	123,091	123,091	(118,015)
Total business-type activities	\$ 788,623	\$ 911,714	-	-	-	123,091	123,091	(118,015)
General revenues:								
General purpose sales and use taxes					2,797,226	-	2,797,226	2,636,944
Franchise taxes					255,317	-	255,317	237,605
Other taxes					8,935	-	8,935	11,535
Investment earnings					5,771	-	5,771	5,111
Other income					26,197	-	26,197	2,109
Transfers					(292,023)	292,023	-	-
Total general revenues and transfers					2,801,423	292,023	3,093,446	2,893,304
Change in net position					383,265	415,114	798,379	621,650
Net position - beginning					5,596,065	4,707,503	10,303,568	9,681,918
Net position - ending					\$ 5,979,330	\$ 5,122,617	\$ 11,101,947	\$ 10,303,568

TOWN OF ADDIS, LOUISIANA

Balance Sheet-Governmental Fund-General Fund

December 31, 2017 with summarized comparative totals for 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 3,007,560	\$ 2,660,139
Investments	135,225	134,965
Receivables-		
Franchise tax	105,452	101,023
Other	3,038	1,905
Accrued interest	252	251
Due from other governments-		
Sales tax	237,459	201,633
Other	1,806	144,081
Due from other funds	-	-
Restricted assets		
Cash	16,938	14,408
Total assets	<u>\$ 3,507,730</u>	<u>\$ 3,258,405</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable	73,120	63,165
Accrued liabilities	5,127	111
Due to other funds	-	27
Refunds payable	1,500	1,500
Unearned revenue	570	3,550
Payable from restricted assets		
Civil bonds held	16,486	14,456
Total liabilities	<u>96,803</u>	<u>82,809</u>
Fund balances		
Unrestricted	<u>3,410,927</u>	<u>3,175,596</u>
Total fund balances	<u>3,410,927</u>	<u>3,175,596</u>
Total Liabilities and Fund Balances	<u>\$ 3,507,730</u>	<u>\$ 3,258,405</u>

TOWN OF ADDIS, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net position

December 31, 2017 with summarized comparative totals for 2016

	2017	2016
Fund balances - total governmental funds	\$ 3,410,927	\$ 3,175,596
Amounts reported for governmental activities in the statement of net assets 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	6,300,734	5,862,279
Less accumulated depreciation	<u>(2,563,094)</u>	<u>(2,298,635)</u>
	3,737,640	3,563,644
Prepaid insurance premiums in governmental activities are not recognized as expenditures for governmental funds	35,798	26,441
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		
Pension related changes reported as deferred outflows	227,007	430,570
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Pension related changes reported as deferred inflows	(64,290)	(25,056)
Net pension liability	<u>(1,367,752)</u>	<u>(1,575,130)</u>
Net position of governmental activities	<u>\$ 5,979,330</u>	<u>\$ 5,596,065</u>

TOWN OF ADDIS, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds-General Fund

For the Year ended December 31, 2017 with summarized comparative totals for 2016

	2017	2016
Revenues		
Taxes	\$ 206,115	\$ 201,781
Franchise fees	255,317	237,605
Intergovernmental	2,878,623	2,805,343
Charges for services	21,070	16,516
Fines and forfeitures	241,713	185,988
Investment earnings	5,771	5,111
Miscellaneous	26,198	2,109
Total revenues	<u>3,634,807</u>	<u>3,454,453</u>
Expenditures		
Current		
General government	963,868	837,923
Public safety	1,239,911	1,127,855
Public works	420,809	408,311
Capital outlay	482,865	429,951
Total expenditures	<u>3,107,453</u>	<u>2,804,040</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>527,354</u>	<u>650,413</u>
Other Financing Sources (Uses)		
Operating transfers out	(292,023)	-
Total other financing sources (uses)	<u>(292,023)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>235,331</u>	<u>650,413</u>
Fund Balances		
Beginning of Year	3,175,596	2,525,183
End of Year	<u>\$ 3,410,927</u>	<u>\$ 3,175,596</u>

TOWN OF ADDIS, LOUISIANA

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, Changes in Fund Balances to the Statement of Activities For the Year ended December 31, 2017 with summarized comparative totals for 2016

	2017	2016
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$ 235,331	\$ 650,413
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	482,865	429,951
Depreciation expense	(308,868)	(279,587)
	<u>173,997</u>	<u>150,364</u>
Expenditures that do not use current financial resources are not reported as expenses in the Statement of Activities		
Current prepaid insurance	35,798	26,441
Prior year prepaid insurance	(26,442)	(26,232)
	<u>9,356</u>	<u>209</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension expense	(35,419)	(61,321)
Change in net position of governmental activities	<u>\$ 383,265</u>	<u>\$ 739,665</u>

TOWN OF ADDIS, LOUISIANA

Statement of Net Position, Proprietary Fund

December 31, 2017 with summarized comparative totals for 2016

	Business-type Activities Enterprise Fund-Sewer Fund	
	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 141,506	\$ 41,782
Accounts receivable, net	162,801	44,262
Unbilled accounts receivable	36,667	21,850
Due from other funds	-	27
Prepaid expenses and other current assets	12,073	11,373
Inventory-tanks	26,727	20,125
Total current assets	<u>379,774</u>	<u>139,419</u>
Non-current Assets		
Restricted:		
Cash and cash equivalents	222,578	196,367
Total restricted assets	<u>222,578</u>	<u>196,367</u>
Capital assets:		
Non-depreciable	175,657	59,676
Depreciable, net of accumulated depreciation	5,587,421	5,449,100
Total capital assets (net of accumulated depreciation)	<u>5,763,078</u>	<u>5,508,776</u>
Total non-current assets	<u>5,985,656</u>	<u>5,705,143</u>
Deferred Outflows of Resources	-	-
Total assets and deferred outflows of resources	<u>\$ 6,365,430</u>	<u>\$ 5,844,562</u>

TOWN OF ADDIS, LOUISIANA

Statement of Net Position, Proprietary Fund, Continued

December 31, 2017 with summarized comparative totals for 2016

	Business-type Activities	
	Enterprise Fund-Sewer System	
	2017	2016
Liabilities		
Current Liabilities (payable from current assets):		
Accounts payable	23,030	6,291
Accrued interest payable	1,902	1,768
Deferred revenue	3,407	-
Due to other funds	-	-
Sewer revenue bonds payable	76,000	76,000
Total current liabilities (payable from current assets)	<u>104,339</u>	<u>84,059</u>
Non-current Liabilities:		
Sewer revenue bonds payable	1,138,474	1,053,000
Total non-current liabilities	<u>1,138,474</u>	<u>1,053,000</u>
Total liabilities	<u>1,242,813</u>	<u>1,137,059</u>
Deferred Inflows of Resources	-	-
Total liabilities and deferred inflow of resources	<u>1,242,813</u>	<u>1,137,059</u>
Net Position		
Invested in capital assets, net of related debt	4,548,604	4,379,776
Restricted for debt service	144,676	118,599
Unrestricted	429,337	209,128
Total net position	<u>\$ 5,122,617</u>	<u>\$ 4,707,503</u>

TOWN OF ADDIS, LOUISIANA

**Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Fund***For the Year ended December 31, 2017 with summarized comparative totals for 2016*

	Business-type Activities	
	Enterprise Fund-Sewer System	
	2017	2016
Operating Revenues		
Charges for services	\$ 727,107	\$ 494,119
Installations	13,628	6,814
Impact Fees	169,350	125,000
Miscellaneous	1,629	1,100
Total Operating Revenues	911,714	627,033
Operating Expenses		
Personal services	261,658	264,062
Utilities	81,280	62,709
Operating expenses	147,270	165,079
Contract services	28,703	30,595
Depreciation	212,822	211,220
Total Operating Expenses	731,733	733,665
Operating Income (Loss)	179,981	(106,632)
Nonoperating Revenues (Expenses)		
Administrative fees	(5,876)	(6,020)
Interest expense	(5,422)	(5,363)
Bond Issuance Costs	(45,592)	-
Total Nonoperating Revenues (Expenses)	(56,890)	(11,383)
Income (Loss) before contributions and transfers	123,091	(118,015)
Transfers In		
General fund	292,023	-
Change in net position	415,114	(118,015)
Net position		
Beginning of Year	4,707,503	4,825,518
End of Year	\$ 5,122,617	\$ 4,707,503

TOWN OF ADDIS, LOUISIANA

Statement of Cash Flows

Proprietary Fund

For the Year ended December 31, 2017 with summarized comparative totals for 2016

	Business-type Activities	
	Enterprise Fund-Sewer System	
	2017	2016
Cash Flows From Operating Activities		
Receipts from customers	\$ 780,136	\$ 620,093
Payments to suppliers	(247,816)	(266,636)
Payments to employees for services and benefits	(261,658)	(264,062)
Other operating cash receipts	1,629	1,100
Net Cash Provided By (Used In) Operating Activities	272,291	90,495
Cash Flows From Noncapital Financing Activities		
Proceeds from general fund advances	292,050	-
Transfers from other funds	-	(27)
Net Cash Provided By (Used in) Noncapital Financing Activities	292,050	(27)
Cash Flows From Capital and Related Financing Activities		
Proceeds from bonds issued	161,474	-
Purchase of capital assets	(467,124)	(79,446)
Interest and administrative fees paid	(11,164)	(11,439)
Principal paid on revenue bonds	(76,000)	(75,000)
Bond issuance costs	(45,592)	-
Net Cash Provided By (Used In) Capital and Related Financing Activities	(438,406)	(165,885)
Increase (Decrease) in Cash and Cash Equivalents	125,935	(75,417)
Cash and Cash Equivalents		
Beginning of Year	238,149	313,566
End of Year	\$ 364,084	\$ 238,149
Cash and Cash Equivalents Restricted Assets		
Totals	\$ 141,506	\$ 41,782
	222,578	196,367
	\$ 364,084	\$ 238,149

TOWN OF ADDIS, LOUISIANA

Statement of Cash Flows**Proprietary Fund, Continued***For the Year ended December 31, 2017 with summarized comparative totals for 2016*

	<u>Business-type Activities</u>	
	<u>Enterprise Fund-Sewer System</u>	
	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Operating income	\$ 179,981	\$ (106,632)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	212,822	211,220
(Increase) decrease in assets		
Accounts receivable	(115,132)	(4,002)
Unbilled accounts receivable	(14,817)	(1,838)
Prepaid expenses	(700)	(1,254)
Inventory	(6,602)	(5,919)
Increase (decrease) in liabilities		
Accounts payable	16,739	(1,080)
Net Cash Provided By (Used In) Operating Activities	\$ 272,291	\$ 90,495

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements

December 31, 2017

1. INTRODUCTION

The Town of Addis was incorporated September 1915, under the provisions of Title 33, Chapter 2, Part I, of the Louisiana Revised Statutes (Lawrason Act - Act No. 36 of 1898). The "Town" operates under a Mayor - Council form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The more significant accounting policies established in GAAP and used by the Town are discussed below.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The financial reporting entity consists of (a) the primary government (Town of Addis) (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement 61, *The Financial Reporting Entity: Omnibus* established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement the basic criteria are as follows:

- Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
- Whether the Town governing authority appoints a majority of board members of the potential component unit (or serves as board members of potential component unit as required by law) and whether operational responsibility for the potential component unit rests with the management of the primary government.
- Fiscal interdependency between the Town and potential component unit.
- Imposition of will by the Town on the potential component unit.
- Financial benefit/burden relationship between the Town and the potential component unit.

Based on the above criteria, the Town has no component units.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

BASIC FINANCIAL STATEMENTS -- GOVERNMENT-WIDE STATEMENTS

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police, public works, and general administrative services are classified as governmental activities. The Town's sewer services are classified as business-type activities.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (sales and use tax, franchise tax, and certain governmental revenues, etc). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function (public safety, public works and general administration) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (sales and use tax, franchise tax, intergovernmental revenue, interest income, etc.).

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

BASIC FINANCIAL STATEMENTS -- FUND FINANCIAL STATEMENTS

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

The emphasis in fund financial statements is on the major funds for either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town had no non-major funds.

Governmental Funds. The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of current financial resources) rather than upon net income. Expendable assets are assigned to funds according to the purpose for which they may be used. Current liabilities are assigned to funds from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period operations of the Town. The Town reports these major governmental funds and fund types:

General Fund. The General Fund is the main operating fund of the Town. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are net paid through other funds are paid from the General Fund.

Proprietary Fund Types. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town reports the following proprietary fund types:

Enterprise Fund. Used to account for operations for which a fee is charged to external users for sewer services. The activities reported in this fund are reported as business-type activities in the government-wide financial statements.

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

Accrual. Both the governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Non-exchange revenues, including intergovernmental revenues and grants are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

Modified Accrual. The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

Cash and cash equivalents. The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposit, government backed securities, state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments are reported at their fair value.

Receivables. All receivables are reported net of estimated uncollectible amounts.

Inventories and Prepaid Items. All inventories are valued at cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and business-type fund financial statements.

Expenditures by the governmental funds for insurances or similar services that extend over more than one reporting period are not required to be allocated, but may be accounted for as expenditures in the period paid and is known as the non-allocation method. The Governmental Fund - General Fund - fund financial statements utilizes the non-allocation method.

Capital Assets. Capital assets, which include property, plant equipment, and infrastructure assets (e.g. roads, bridges, sidewalk and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The Town maintains a threshold level of \$2,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

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. During the current fiscal year no interest was incurred in the capitalized projects.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Building improvements	20 years
Improvements other than buildings	20 years
Sewer system	40-43 years
Mowers, tractors and attachments	10-15 years
Light trucks & equipment	5 years

Compensated Absences. Employees of the Town earn vacation and personal leave at varying rates based upon length of service. Both vacation and personal leave are non-cumulative, any unused vacation and personal leave not taken by December 31, is forfeited, therefore no accrual has been made in the financial statements.

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

Fund Equity. Government-wide and proprietary fund net position are divided into three components:

- Net investment in capital assets - consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position - consist of assets that are restricted by the Town's creditors, by state enabling legislation, by grantors, and by other contributors, less related liabilities and deferred inflows of resources.
- Unrestricted -- all other net position are reported in this category.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

Fund Financial Statements. In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable -- Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed - Amounts that can be used only for specific purposes determined by a formal action by Town ordinance or resolution.
- Assigned - Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Board of Councilmen.
- Unassigned - All amounts not included in other spendable classifications.

Use of Restricted Resources. When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

Interfund Activity. Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Comparative Data. The financial statements include prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Town's financial statements for the year ended December 31, 2016 from which the summarized information was derived.

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

Defining Operating Revenues and Expenses. The Town's proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses of the Town's sewer fund consists of charges for services (including system development charges) and the costs of providing those services, including depreciation. All other revenues and expenses are reported as non-operating.

Deferred Outflows of Resources and Deferred Inflows of Resources and Net Position. In December 2010, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

In addition to assets, the statement of financial position 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.

In addition to liabilities, the statement of financial position 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 (revenues) until that time.

Current Year Adoption of New Accounting Standards. GASB Statement No. 82, *Pension Issues*, was implemented by the Town for the fiscal year ended December 31, 2017. The only impact on the Town is a change in terminology for the payroll-related measures in the required supplementary information from *covered-employee payroll* to *covered payroll*.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A proposed budget is prepared and submitted by the Mayor to the Board of Councilmen prior to the beginning of each fiscal year. The proposed budget is published in the official journal and made available for public inspection. A public hearing is called to obtain taxpayer comments.
- The budget is adopted through passage of an ordinance prior to commencement of the fiscal year for which the budget is being adopted.
- Budgetary amendments involving the transfer of funds from one department program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require approval from the Board of Councilmen.
- Budgets for the General is adopted on a GAAP basis therefore these funds utilize the same basis of accounting for both budgetary purposes and actual results. The Budgetary Comparison Schedule presents a comparison of budgetary data and actual results of operations for which budgets are legally adopted.
- All budgetary appropriations lapse at the end of each fiscal year.
- The level of budgetary control is total appropriations.

3. DEPOSITS AND INVESTMENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or other federally insured investments, certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

Bank Deposits. The Town's policy as well as State law requires deposits, (cash and certificates of deposits) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes federal deposit insurance and securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security deposits. Obligations furnished as security must be held by the political subdivision or an unaffiliated bank, or with a trust company for the accounts of the political subdivision. The current year end balances of deposits are as follows:

Deposits do not include \$366 on cash on hand.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a policy for custodial credit risk which reflects state law. As of December 31, 2017 the Town had \$3,586,585 in deposits (collected bank balances). These deposits were secured from risk by \$611,881 in federal deposit insurance and \$2,974,704 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3) and none were unsecured and uninsured.

Financial statement Classification	Demand Deposits	Certificates of Deposit	Total
Cash and cash equivalents	\$ 3,149,066	\$ -	\$ 3,149,066
Investments	-	135,225	135,225
Restricted Cash and cash equivalents	239,516	-	239,516
			<hr/>
Balance per City books	\$ 3,388,582	\$ 135,225	\$ 3,523,807
			<hr/>
Institutional balances	\$ 3,451,360	\$ 135,225	\$ 3,586,585
			<hr/>

4. INVESTMENTS

Investments are stated at fair value.

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction the Town will not be able to recover the value of the investment. Investments are exposed to custodial risk if the securities are (a) uninsured and unregistered and held by the counterparty or (b) uninsured, unregistered and held by the counterparty's trust department or agent but not in the name of the Town. The following chart presents the investment position of the Town at December 31, 2017. The various types of investments are listed and presented by whether they are exposed to custodial credit risk.

Investments not subject to collateralization.

Interest Rate Risk: The Town has no formal policy regarding interest rate risk.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

	Change in Investments	
	Amortized Cost	Fair Value
Balance, June 30, 2016	\$ 134,965	\$ 134,965
Add:		
Investment purchase	260	260
Balance, June 30, 2017	\$ 135,225	\$ 135,225

Type of Investment	Category			Carrying Amount	Fair Value
	1	2	3		
Certificates of deposit	\$ 135,225	\$ -	\$ -	\$ 135,225	\$ 135,225
Total	\$ 135,225	\$ -	\$ -	\$ 135,225	\$ 135,225

5. RECEIVABLES

The following is a summary of receivables for December 31, 2017:

	General Fund	Sewer Fund	Total
Sales tax	\$ 237,459	\$ -	\$ 237,459
Franchise tax	105,452	-	105,452
Accounts receivable	3,038	199,468	202,506
Accrued interest	252	-	252
Other	1,806	-	1,806
Total Receivables	348,007	199,468	547,475
Allowance for Uncollectibles	-	-	-
Receivables, Net	\$ 348,007	\$ 199,468	\$ 547,475

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

6. INTERFUND TRANSFERS

The balances reflected in interfund transfers represent a permanent transfer from the General Fund to the Enterprise Fund to complete the wastewater treatment plant effluent pump project.

For the year ended December 31, 2017, interfund transfers consisted of the following:

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 292,023
<u>Proprietary Funds</u>		
Enterprise Fund	292,023	-
	<u>\$ 292,023</u>	<u>\$ 292,023</u>

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

7. CAPITAL ASSETS SUMMARY

	Beginning Balance December 31, 2016		Increases	Decreases	Ending Balance December 31, 2017	
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$	208,338	\$	-	\$	208,338
Capital assets, being depreciated:						
Improvements other than buildings		2,702,986	310,834	-		3,013,820
Buildings and structures		869,356	66,161	-		935,517
Historical Railroad Park		797,368	31,231	-		828,599
Museum		196,669	-	-		196,669
Water System		-	-	-		-
Furniture and fixtures		33,182	-	-		33,182
Vehicles-Town		31,224	-	-		31,224
Machinery & equipment		454,733	13,756	-		468,489
Website		12,195	-	-		12,195
Works of Art		9,343	-	-		9,343
Police Department Equipment		96,449	-	-		96,449
Police Department Vehicles		426,370	84,950	44,410		466,910
Construction in Progress		24,065	-	24,065		-
Total capital assets, being depreciated		5,653,940	506,932	68,475		6,092,397
Less accumulated depreciation for:						
Improvements other than buildings		801,187	138,441	-		939,628
Buildings and structures		454,153	22,050	-		476,203
Historical Railroad Park		217,794	39,517	-		257,311
Museum		85,095	4,853	-		89,948
Water System		-	-	-		-
Furniture and fixtures		33,182	-	-		33,182
Vehicles-Town		23,185	3,446	-		26,631
Machinery & equipment		336,825	19,267	-		356,092
Website		12,195	-	-		12,195
Works of Art		9,343	-	-		9,343
Police Department Equipment		68,686	7,315	-		76,001
Police Department Vehicles		256,990	73,981	44,410		286,561
Total accumulated depreciation		2,298,635	308,870	44,410		2,563,095
Total capital assets, being depreciated, net		3,355,305	198,062	24,065		3,529,302
Governmental activities capital assets, net	\$	3,563,643	\$	198,062	\$	3,737,640

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

Depreciation expense was charged to government functions as follows:

General Government	\$ 83,333
Public Safety - Police Department	86,708
Public Works	<u>138,827</u>
Total	<u>\$ 308,868</u>

The following is a summary of the changes in property, plant and equipment of the Enterprise Fund- Sewer System for the year ended December 31, 2017:

	Beginning Balance December 31, 2016		Increases	Decreases	Ending Balance December 31, 2017	
Business-Type Activities:						
Capital assets, not being depreciated:						
Land	\$ 16,755	\$ -	\$ -	\$ -	\$ 16,755	
Land rights	42,921	-	-	-	42,921	
Construction in Progress	23,056	115,982	23,057	-	115,981	
	<u>82,732</u>	<u>115,982</u>	<u>23,057</u>	<u>-</u>	<u>175,657</u>	
Capital assets, being depreciated:						
Buildings	86,169	-	-	-	86,169	
Sewer facility	8,380,206	374,199	-	-	8,754,405	
Machinery & Equipment	306,531	-	-	-	306,531	
Vehicles	72,547	-	-	-	72,547	
Total capital assets, being depreciated	<u>8,845,453</u>	<u>374,199</u>	<u>-</u>	<u>-</u>	<u>9,219,652</u>	
Less accumulated depreciation for:						
Buildings	14,828	2,207	-	-	17,035	
Sewer facility	3,088,474	199,153	-	-	3,287,627	
Machinery & Equipment	267,961	5,116	-	-	273,077	
Vehicles	48,146	6,346	-	-	54,492	
Total accumulated depreciation	<u>3,419,409</u>	<u>212,822</u>	<u>-</u>	<u>-</u>	<u>3,632,231</u>	
Total capital assets, being depreciated, net	<u>5,426,044</u>	<u>161,377</u>	<u>-</u>	<u>-</u>	<u>5,587,421</u>	
Business-type activities capital assets, net	\$ 5,508,776	\$ 277,359	\$ 23,057	\$ -	\$ 5,763,078	

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

8. LONG TERM LIABILITIES

On November 10, 2010, the Town issued Sewer Revenue Bonds, Series 2010 in the amount of \$1,569,060 for the purpose of paying the costs of constructing and acquiring improvements and extensions to the Town's sewer system. The bonds were purchased by the Louisiana Department of Environmental Quality financed by the Clean Water State Revolving Fund. Purchase price of the bonds are distributed to the Town in installments as construction progresses. During 2017 the Town was approved for up to \$3,000,000 for improvements to the sewer system. The town received \$161,474 during the year. The total outstanding on the two loans was \$1,214,474 as of December 31, 2017. The Town has approved rate increases to finance repayment of the loan.

	Balance at December 31, 2016	Additions or Bonds Issued	Bonds Redeemed and Other Reductions	Balance at December 31, 2017	Amount due within One Year
Sewer Revenue Bonds - Series 2010	\$ 1,129,000	\$ -	\$ 76,000	\$ 1,053,000	\$ 76,000
Sewer Revenue Bonds - Series 2017	-	161,474	-	161,474	-
Total long-term debt	\$ 1,129,000	\$ 161,474	\$ 76,000	\$ 1,214,474	\$ 76,000

The annual maturities for the bonds for the years subsequent to December 31, 2017 are as follows:

Year Ending December 31,	Principal	Interest
2018	\$ 76,000	\$ 11,538
2019	214,000	10,815
2020	102,474	8,783
2021	79,000	7,809
2022	79,000	7,059
2023-2027	409,000	23,845
2028-2030	255,000	4,864
	<u>\$ 1,214,474</u>	<u>\$ 74,713</u>

The Town reported interest expense of \$5,422 in 2017.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

9. RESTRICTED ASSETS

The bond ordinance for the Sewer Revenue Bonds, Series 2010 and 2017 requires the creation of the following accounts:

- Sewer Revenue Bond and Interest Sinking Fund which must be funded by making monthly deposits equal to the principal, interest and administrative fee for such month to be used for the payment of bonds, interest and administrative fee when they become due.
- Sewer Revenue Bond Reserve Fund to be retained solely for the purpose of paying principal of and interest on bonds payable to which there would otherwise be default by depositing each month a sum equal to at least 25% of the amount deposited in the Sewer Revenue Bond and Interest Sinking Fund until a balance of \$122,604 is achieved.
- Sewer Depreciation Additions and Contingency Fund to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System by depositing an amount equal to 5% of the net revenues for the preceding month provided the sum is available after meeting the first two requirements until a balance of \$150,000 is achieved.

Account balances as of December 31, 2017 are as follows:

Account Name	Balance
Sewer Bond & Interest Sinking Fund	\$ 47,082
Sewer Revenue Reserve Fund	124,550
Sewer Depreciation, Additions & Contingency Fund	50,946
Total	<u>\$ 222,578</u>

10. Pension Plan

The Town's police employees are members of the Municipal Police Employees Retirement System of Louisiana. The system is a cost sharing, multiple-employer defined benefit pension plan administered by separate board of trustees. Pertinent information relative to the plan follows:

Plan Description. The Municipal Police Employees' Retirement System (MPERS) is a cost-sharing multiple-employer defined benefit plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefits Provided. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

1. Retirement

Membership Prior to January 1, 2013

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

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

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

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

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

2. Deferred Retirement Option Plan

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

If the member elects a money market investment return, the funds are transferred to a government money market account.

3. Initial Benefit Option Plan

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

4. Cost of Living Adjustments

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

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

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

Contributions

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, 2017, total contributions due for employers and employees were 41.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

to the poverty guidelines issued by the United States Department of Health and Human Services were 32% and 7.5%, respectively.

Non-employer contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended December 31, 2017 and included in pension expense.

The Town's contractually required composite contribution rate for the year ended December 31, 2017 was 31.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Town were \$147,077 for the year ended December 31, 2017.

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

At June 30, 2017, the Employer reported a liability of \$1,367.752 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net Pension Liability was based on a projection of the Town's projected contribution effort to the plan for the next fiscal year as compared to the total of all employers' projected contribution effort to the plan for the next fiscal year, actuarially determined. At June 30, 2017, the Town's proportion was .156665, which was a decrease of .011388 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Town recognized pension expense of \$210,810 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$14,198).

TOWN OF ADDIS, LOUISIANA

*Notes to Financial Statements, Continued**December 31, 2017*

At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,557
Changes of assumptions	97,323	-
Net difference between projected and actual earnings on pension plan investments	59,875	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	62,733
Town contributions subsequent to the measurement date	69,809	-
Total	<u>\$ 227,007</u>	<u>\$ 64,290</u>

\$69,809 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	MPERS
2018	\$ 14,973
2019	42,005
2020	5,387
2021	(32,089)

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 and 2016 are as follows:

Valuation Date	June 30, 2017 and 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.325%, net of investment expense
Inflation Rate	2.875% per annum
Salary Increases, including Inflation and merit	

<u>Years of Service</u>	<u>Salary Growth Rate</u>
1-2	9.75%
3-23	4.75%
over 23	4.25%

Mortality Rate

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2003 through June 30, 2008 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
	2017
Equity	3.66%
Fixed Income	0.52%
Alternatives	1.10%
Other	0.16%
Totals	5.44%
Inflation	2.75%
Expected Arithmetic Nominal Return	8.19%

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.75%, as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

TOWN OF ADDIS, LOUISIANA

*Notes to Financial Statements, Continued**December 31, 2017*

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 1,889,681	\$ 1,367,752	\$ 929,891

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS 2017 Comprehensive Annual Financial Report at www.Lampers.org.

Payables to the Pension Plan

Included in accounts payable is \$14,380 payable to the System which was remitted subsequent to December 31, 2017.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

11. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all permanent Town employees, permits them to defer until future years the lesser of 100% of annual compensation or \$18,000 in 2016 adjusted thereafter for cost of living adjustments in \$500 annual increments up to age 50; participants age 50 and over are eligible for catch-up contributions provided the catch-up contributions do not exceed the catch-up limit for the taxable year. The Town contributes on behalf of its employees based upon employee contributions with a maximum match of 20.1 %. The Town also contributes an additional annual contribution for participating full time employees of \$1,500, except for policemen. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with GASB No. 32 the Town is no longer required to report the plan in its financial statements.

12. Intergovernmental Agreements

West Baton Rouge Parish Natural Gas and Water Systems –

A service agreement is in effect between West Baton Rouge Parish and the Town in which the Parish agrees to bill and collect sewer fees from water customers served by the Town sewer system. The sewer rates are based on water usage, and customers may have their water service discontinued for non-payment of sewer fees. The amount due from the Parish for customer sewer fees billed through December 31, 2017 was \$199,467.

13. Sewer User Fees

Charges for sewer use are as follows:

Residential - \$24.00 plus \$3.25 per 1,000 gallons after 4,000.

Non-residential - \$38.00 plus \$3.00 per 1,000 gallons after 4,000.

14. Economic Dependence

The Town of Addis received 62%, of its total revenue from parish sales tax.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

15. Risk Management

The Town of Addis is exposed to various risks of loss for which the Town carries commercial insurance. There have been no reductions in insurance coverage during the last year. Settled claims have not exceeded coverage in the last three years.

16. Contingencies and Commitments

Litigation - In the opinion of the Town's management after consultation with legal counsel, the potential loss for any claims and lawsuits will not materially affect the Town's financial position.

The Town entered into a contract with R.J. Daigle & Sons, Inc. for overlay of various streets within the Town. The work began in October and should be complete sometime in 2018. The Contract price was \$254,269, of which \$238,858 was paid as of year-end. The remainder will be paid in 2018.

The Town is in the process of improving their sewer facility. Construction costs related to the project are expected to be approximately \$3,000,000 and is financed with revenue bonds purchased by the Louisiana Department of Environmental Quality, financed by the Clean Water State Revolving Fund (See Note 8). The project is comprised of several phases and is expected to be complete within 3-4 years.

The town also entered into a contract with Aegion for \$356,549 for one phase of the sewer system upgrade project, which is financed by a Louisiana Department of Environmental Quality State Revolving Fund Loan Program. The Addis Place Gravity Sewer Rehabilitation Phase began in December 2017 and is expected to be completed in 2018.

The Louisiana Department of Environmental Quality purchase of the Taxable Sewer Revenue Bond – Series 2017 was financed by the Drinking Water Revolving loan Fund, a federal program operated through the United States Environmental Protection Agency (EPA). Amounts received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2017

17. Subsequent Events

Management has performed an evaluation of the Town's activities through June 22, 2018, and has concluded that there are no significant subsequent events requiring recognition or disclosure through the date and time these financial statements were available to be issued on June 22, 2018.

18. On-Behalf Payment of Salaries

The State of Louisiana paid the Town's police officers \$55,550 of supplemental pay during the year ended December 31, 2017. Such payments are recorded as intergovernmental revenues and public safety expenditures of governmental activities in the government-wide financial statements and in the General Fund fund financial statements.

TOWN OF ADDIS, LOUISIANA

Required Supplementary Schedules

December 31, 2017

TOWN OF ADDIS, LOUISIANA**Budgetary Comparison Schedule****General Fund**

For the Year Ended December 31, 2017

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Taxes and licenses				
Occupational license	\$ 130,000	\$ 137,000	\$ 140,237	\$ 3,237
Building permits	30,000	60,000	65,686	5,686
Trailer moving permits	150	150	180	30
Bartender permits	100	100	12	(88)
Franchise fees				
Entergy	170,000	170,000	180,750	10,750
Cable television	16,000	16,000	58,401	42,401
Telephone	5,000	8,000	16,166	8,166
Intergovernmental				
Sales tax-parish	1,278,300	1,278,300	1,224,834	(53,466)
Sales tax-district	1,380,000	1,573,429	1,572,393	(1,036)
Alcoholic beverage tax	2,300	2,300	2,840	540
Video poker tax	7,100	5,000	5,694	694
State of Louisiana - Police Supplemental Pay	-	-	55,550	55,550
Emergency Task Force Grant	2,000	3,500	3,500	-
GOHSEP Grant	-	-	-	-
LGAP Grant	27,500	27,500	13,412	(14,088)
Charges for services				
Highway maintenance	7,400	7,400	6,860	(540)
Rental-Civic Center	5,000	4,000	4,385	385
Planning and zoning	500	500	400	(100)
Grass mowing-town	100	100	-	(100)
Culvert program	15,000	4,000	9,825	5,825
Fines and forfeitures	99,000	251,984	241,713	(10,271)
Investment earnings	1,000	3,898	5,771	1,873
Live at Five	-	23,492	24,492	1,000
Sale of fixed assets	1,000	600	600	-
Miscellaneous	1,500	143,438	1,106	(142,332)
Amounts available for appropriation	<u>3,178,950</u>	<u>3,720,691</u>	<u>3,634,807</u>	<u>(85,884)</u>
Current				
General government	1,033,550	1,040,042	963,868	76,174
Public safety-police	1,119,300	1,125,125	1,239,911	(114,786)
Public works	458,600	556,750	420,809	135,941
Capital Outlay				
General government	50,000	50,000	37,905	12,095
Museum and park	20,000	30,000	59,486	(29,486)
Police	80,000	85,000	84,950	50
Public Works	417,500	397,500	300,524	96,976
Total Expenditures	<u>\$ 3,178,950</u>	<u>\$ 3,284,417</u>	<u>\$ 3,107,453</u>	<u>\$ 176,964</u>
Excess (Deficiency) of Revenue over Expenditures	\$ -	\$ 436,274	\$ 527,354	\$ 91,080

TOWN OF ADDIS, LOUISIANA**Budgetary Comparison Schedule****General Fund (continued)****For the Year Ended December 31, 2017**

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Transfers in/(Out)				
Enterprise Fund-Sewer Fund	-	(182,970)	(292,023)	(109,053)
Total transfers In/(Out)	-	(182,970)	(292,023)	(109,053)
Net Change in Fund Balance	-	253,304	235,331	(17,973)
Beginning Fund Balance		2,766,300	3,175,596	409,296
Ending Fund Balance	\$ -	\$ 3,019,604	\$ 3,410,927	\$ 391,323

Notes:

The Original and Final Budgets are prepared using the Modified Accrual Basis of Accounting

TOWN OF ADDIS, LOUISIANA***Schedule of Employer's Proportionate Share of the Net Pension Liability
Year Ended December 31, 2017***

Fiscal Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll 7/1/16-6/30/17	Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2017	0.1566%	\$ 1,367,752	\$ 467,694	292.45%	70.08%
2016	0.1689%	\$ 1,575,130	\$ 470,755	334.60%	66.04%
2015	0.1669%	\$ 1,307,456	\$ 452,032	289.24%	70.73%
2014	0.1678%	\$ 1,049,965	\$ 455,470	230.52%	75.10%
2013	0.1500%	\$ 1,198,368	\$ 350,076	342.32%	66.71%

MPERS:

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

TOWN OF ADDIS, LOUISIANA**Schedule of Employer's Pension Contributions****Year Ended December 31, 2017**

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll 7/1/16-6/30/17	Contributions as a Percentage of Covered Payroll
-------------	-------------------------------------	--	----------------------------------	---	--

MPERS:

2017	\$ 148,493	\$ 148,493	\$ -	\$ 467,694	31.75%
2016	\$ 138,872	\$ 138,872	\$ -	\$ 470,755	29.50%
2015	\$ 140,570	\$ 140,570	\$ -	\$ 465,948	31.50%
2014	\$ 137,021	\$ 137,021	\$ -	\$ 438,494	31.00%
2013	\$ 127,192	\$ 127,192	\$ -	\$ 355,615	31.00%

TOWN OF ADDIS, LOUISIANA

Notes to Required Supplementary Schedules

December 31, 2017

*Schedule of Employer's Proportionate Share of the
Net Pension Liability and Schedule of Employer's
Pension Contributions*

Changes of Benefit Terms

There were no changes in benefit terms.

Changes of Assumptions

There were no changes in actuarial assumptions.

TOWN OF ADDIS, LOUISIANA

Other Supplementary Schedules

December 31, 2017

TOWN OF ADDIS, LOUISIANA***Schedule of Compensation Paid to Mayor******Year Ended December 31, 2017*****Agency Head Name: Mayor David Toups****Purpose**

Salary	\$ 74,599
Benefits - insurance	23,357
Benefits - retirement	15,772
Social security and medicare employer contributions	7,281
Car allowance	4,800
Registration fees	200
Meals	60
	<u>\$ 126,069</u>

TOWN OF ADDIS, LOUISIANA

Schedule of Compensation Paid to Town Council
Year Ended December 31, 2017

Council Member

Russell L. Parish	\$	8,700
Kevin Leblanc		8,700
Rhonda L. Kelly		8,700
Wilson Cazes		8,700
Tate G. Acosta		8,700
	\$	<u>43,500</u>

TOWN OF ADDIS, LOUISIANA

Other Financial Information (Unaudited)

December 31, 2017

TOWN OF ADDIS, LOUISIANA

Schedule of Insurance in Force (Unaudited)***Year Ended December 31, 2017***

EMC Insurance	Fidelity Bond - Mayor-David Toups	\$40,000 employee faithful performance bond	9/1/17-9/1/18
Western Surety Co	Fidelity Bond - Police Chief R Anderson	\$40,000 employee faithful performance bond	9/1/17-9/1/18
Louisiana Municipal Risk Management Agency	Workers Compensation	Statutory	1/1/17-12/31/18
EMC Insurance Co	Business Protection - Property & Inland Marine	Buildings, lift stations, EDP equipment	12/12/17-12/12/18
EMC Insurance Co	Crime	Theft	9/1/17-9/1/18
Louisiana Municipal Risk Management Agency	Auto & Commercial General liability, Errors and Omissions, Law Enforcement Officer	All risks \$500,000 Combined Single Limit; Comprehensive ACV with a \$250 deductible	5/1/17-5/1/18
New Hampshire Insurance Co	Flood insurance- 7833 Ray Rivet Drive	Building-\$60,100 Contents \$9,600	5/14/17-5/14/18
New Hampshire Insurance Co	Flood insurance- Town Hall	Building-\$93,300 Contents \$28,200	5/14/17-5/14/18

TOWN OF ADDIS, LOUISIANA***Schedule of Statistical Data (Unaudited)******Year Ended December 31, 2017***

Number of sewer customers for the year ended December 31, 2017	2,204
User fee in effect at December 31, 2017:	
Residential:	
First 4,000 gallons of water used	24.00
Every 1,000 gallons of water in excess of 4,000 gallons	3.25
Commercial:	
First 4,000 gallons of water used	38.00
Every 1,000 gallons of water in excess of 4,000 gallons	3.00
Total sewer revenue	\$ 896,457
Average monthly bill per user	\$ 33.90

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

I 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, business-type activities and each major fund of the Town of Addis, Louisiana (the "Town"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated June 22, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

W. Kathleen Beard

Certified Public Accountant

Bueche, LA

June 22, 2018

Town of Addis, Louisiana
Schedule of Findings and Responses
As of and for the year ended December 31, 2017

Section I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unmodified

Report on Internal Control and Compliance Material to the Financial Statements

- Material Weaknesses Yes No Significant deficiencies Yes No
- Noncompliance Material to the Financial Statements Yes No

Federal Awards

N/A – Federal awards below \$750,000 thresh hold required by the Uniform Guidance

Management Letter

No management letter issued.

Section II – Financial Statement Findings

Internal Control and Compliance

None

**Town of Addis, Louisiana
Schedule of Prior Year Findings
December 31, 2017**

Section II -- Financial Statement Findings

Internal Control and Compliance

There were no finding

Independent Accountant's Report on
Applying Statewide Agreed Upon Procedures

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Honorable David Toups, Mayor
and Members of the Town Council
Town of Addis, Louisiana and the Louisiana Legislative Auditor

I have performed the procedures described in enumerated below, which were agreed to by the Town of Addis (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 January 1, 2017 through December 31, 2017. The Village's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

The Town did not have written policies and procedures to address the functions noted above.

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.

Written policies and procedures were obtained and address only the functions (1) how purchases are initiated and (3), the preparation and approval process of purchase requisitions and purchase orders.

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

Written procedures were obtained that address the process used for payment of invoices.

d) **Receipts**, including receiving, recording, and preparing deposits

Written procedures were obtained for the functions noted above.

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

Written policies were obtained but did not address the functions noted above, but did address policies discussing the different types of leave and earning overtime.

- 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 Town did not have written policies and procedures to address the functions noted above.

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

Written policies and procedures were obtained and addressed functions noted above except (3) documentation requirements and (5) monitoring card usage.

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

Written policies and procedures were obtained and addressed (1) allowable expenses but did not establish (2) dollar thresholds by category of expense and did not address (3) documentation requirements and (4) required approvers

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

Written policies for related to Ethics were obtained but they did not address the functions noted above, they did address employee behavior to avoid.

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

The Town did not have written policies and procedures to address the functions noted above, but relies on State of Louisiana DEQ guidance.

Board

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The Council met at least monthly.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Monthly budgetary comparisons were provided to the mayor and council by handout. However, the minutes do not reflect any discussion of the reports.

- c) If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

There was never a fund balance deficit, therefore, there was no written plan to eliminate the deficit spending.

- d) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Obtained and reviewed the minutes of the board for the fiscal period noting that non-financial information was referenced.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained listing of bank accounts provided by management, and management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all months in the fiscal year for selected accounts and noted that reconciliations had been prepared for all months.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The bank statements included evidence of review by the Mayor, however there was no evidence of review of bank reconciliations was noted.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Obtained evidence of research and remittance to LA Unclaimed Property for one account.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection locations (one location - Town Hall) provided by management, and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.*

For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Obtained insurance policy for employee bonds, all four of office personnel responsible for cash collections were bonded and all four did share the same cash drawer. Two of the four are responsible for making and recording related deposits. Bank reconciliations are performed by personnel not involved with collecting cash, making and recording deposits for various accounts.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The Town has no written policies or documentation for procedures to reconcile cash collections to the general ledger.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Collection documentation was obtained and deposit was made within one day of collection of large checks (sales tax, etc), smaller amounts collected earlier in the week were held, deposits are made generally once a week.

Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Daily cash collections are supported by documentation, except for two small amounts collected.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

The Town has no written policy or documentation for procedures to reconcile cash collections and determine completeness of all collections by a person not responsible for collections.

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

The general ledger listing of disbursements and management's representation that the listing is complete was obtained

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The Town's policies and procedures require the use of purchase orders however except for two purchases, the nature of disbursements randomly selected for examination were not of a nature that would require a purchase order .

b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

No purchases were initiated by a pre-approved purchase order.

c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation of each of the 25 disbursements and found all payments were processed with supporting invoice however, for applicable disbursements for goods purchased one of the items tested failed to include a receiving report.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The Accounts Payable Clerk is responsible for processing payments and also has the ability to add vendors in the Town's purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The Mayor, who has signatory authority and makes the final authorization for disbursements, has no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The Town Clerk, Town Clerk, Emeritus, Assistant Clerk/Accounts Payable Clerk and Court Clerk have signatory authority and has access to the supply of unused checks; however, all checks require two signatures the second being the Mayor or Mayor Pro-Temp in the Mayor's absence .

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Not applicable, signature stamp is not used

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

14. 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.

The listing of credit cards and management's representation that the listing is complete was obtained

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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.]

No exceptions noted.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No exceptions noted

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Upon reviewing one credit card with total charges of \$5,236.15, three charges totaling \$73.75 did not have original itemized receipt

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

One of the three charges that did not have the original itemized receipt was for a meal.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No exceptions noted

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No transactions met the threshold of the LA Public Bid Law requirements

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

All transactions tested appear comparable to Article 7, Section 14

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Obtained the Town's general ledger detail for applicable travel accounts and obtained management's representation that the information is complete.

Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

No exceptions noted

18. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No exceptions noted

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Obtained listing of contracts in effect, and management's representation that the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exceptions noted

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

No noncompliance noted

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

No noncompliance noted

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No contracts selected for testing were amended

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No exceptions noted

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No exceptions noted

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Obtained listing of employees with their related salaries and management's representation that the listing is complete.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions noted except that one salaried employee was paid overtime which appears to be a violation of the Town's personnel policies

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No exceptions noted

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

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

No exceptions noted

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Found no evidence of written approval of administrative personnel attendance records.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No exceptions noted

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No exceptions noted

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No exceptions noted

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Of the five employees/officials selected for testing, one employee had not taken the 1 hour ethics training

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

No ethics violations occurred.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

No exceptions noted

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

No exceptions noted

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The Town has no tax millages relating to debt service

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the entity did not have any misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lja.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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.

W. Kathleen Beard

Certified Public Accountant

Bueche, LA
June 22, 2018