

TOWN OF BALDWIN, LOUISIANA

Financial Report

Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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The Honorable Donna Lewis Lanceslin, Mayor
and Members of the Board of Aldermen
Town of Baldwin, Louisiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that certain information 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the budgetary comparison information on pages 46 through 49, schedule of employer's share of net pension liability on page 50, schedule of employer contributions on page 51, and notes to required supplementary information on page 52 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information on pages 54 through 60 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 31, 2018

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF BALDWIN, LOUISIANA

Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 286,020	\$ 116,575	\$ 402,595
Receivables, net	206,923	128,160	335,083
Due from other governmental units	14,095	13,136	27,231
Internal balances	(6,191)	6,191	-
Prepaid expenses	33,505	2,497	36,002
Total current assets	<u>534,352</u>	<u>266,559</u>	<u>800,911</u>
Noncurrent assets:			
Restricted assets	-	7,110	7,110
Land and construction in progress	540,101	116,110	656,211
Capital assets net of accumulated depreciation	4,200,491	2,127,688	6,328,179
Total noncurrent assets	<u>4,740,592</u>	<u>2,250,908</u>	<u>6,991,500</u>
Total assets	<u>5,274,944</u>	<u>2,517,467</u>	<u>7,792,411</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to net pension liability	<u>77,497</u>	<u>25,832</u>	<u>103,329</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	106,454	456,859	563,313
Bonds payable	100,000	-	100,000
Loans and other agreements payable	526	-	526
Unearned revenues	79,415	-	79,415
Total current liabilities	<u>286,395</u>	<u>456,859</u>	<u>743,254</u>
Noncurrent liabilities:			
Customers' deposits payable	-	64,883	64,883
Bonds payable	337,000	263,000	600,000
Net pension liability	209,508	69,833	279,341
Total noncurrent liabilities	<u>546,508</u>	<u>397,716</u>	<u>944,224</u>
Total liabilities	<u>832,903</u>	<u>854,575</u>	<u>1,687,478</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to net pension liability	<u>35,369</u>	<u>11,790</u>	<u>47,159</u>
NET POSITION			
Net investment in capital assets	4,303,066	1,980,798	6,283,864
Restricted for:			
Capital projects	36	-	36
Debt service	-	7,110	7,110
Sales and use tax restrictions	385,673	-	385,673
Special programs	4,236	-	4,236
Unrestricted (deficit)	<u>(208,842)</u>	<u>(310,974)</u>	<u>(519,816)</u>
Total net position	<u>\$ 4,484,169</u>	<u>\$ 1,676,934</u>	<u>\$ 6,161,103</u>

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

TOWN OF BALDWIN, LOUISIANA

Statement of Activities
Year Ended June 30, 2018

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 384,941	\$ 85,508	\$ 6,028	\$ -	\$ (293,405)	\$ -	\$ (293,405)
Culture and recreation	156,652	2,150	350	-	(154,152)	-	(154,152)
Public safety	387,695	63,010	333	-	(324,352)	-	(324,352)
Public works	349,296	181,253	-	59,943	(108,100)	-	(108,100)
Supporting services	54,670	49,282	-	-	(5,388)	-	(5,388)
Interest on long-term debt	21,841	-	-	-	(21,841)	-	(21,841)
Total governmental activities	<u>1,355,095</u>	<u>381,203</u>	<u>6,711</u>	<u>59,943</u>	<u>(907,238)</u>	<u>-</u>	<u>(907,238)</u>
Business-type activities:							
Gas, water and sewer	1,103,689	790,679	41,135	-	-	(271,875)	(271,875)
Interest on long-term debt	13,067	-	-	-	-	(13,067)	(13,067)
Total business-type activities	<u>1,116,756</u>	<u>790,679</u>	<u>41,135</u>	<u>-</u>	<u>-</u>	<u>(284,942)</u>	<u>(284,942)</u>
Total	<u>\$ 2,471,851</u>	<u>\$ 1,171,882</u>	<u>\$ 47,846</u>	<u>\$ 59,943</u>	<u>(907,238)</u>	<u>(284,942)</u>	<u>(1,192,180)</u>
General revenues:							
Taxes -							
Property taxes					105,257	-	105,257
Sales and use taxes					744,810	-	744,810
Franchise taxes					97,472	-	97,472
Grants and contributions not restricted to specific programs -							
State sources					30,395	-	30,395
Interest and investment earnings					365	211	576
Miscellaneous					57,129	-	57,129
Gain from disposition of assets					21,968	-	21,968
Transfers					(30,427)	30,427	-
Total general revenues and transfers					<u>1,026,969</u>	<u>30,638</u>	<u>1,057,607</u>
Change in net position					119,731	(254,304)	(134,573)
Net position - July 1, 2017 (as restated)					<u>4,364,438</u>	<u>1,931,238</u>	<u>6,295,676</u>
Net position - June 30, 2018					<u>\$ 4,484,169</u>	<u>\$ 1,676,934</u>	<u>\$ 6,161,103</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF BALDWIN, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2018

ASSETS	<u>General</u>	<u>1% Sales Tax</u>	<u>3/4% Sales Tax</u>
Cash and interest bearing deposits	\$ 152,269	\$ 17,444	\$ 60,163
Receivables:			
Taxes	-	53,179	48,976
Accounts	29,283	-	44,830
Due from other funds	-	-	100,000
Due from other governmental units	14,095	-	-
Prepaid expenditures	<u>13,094</u>	<u>-</u>	<u>12,896</u>
Total assets	<u>\$ 208,741</u>	<u>\$ 70,623</u>	<u>\$ 266,865</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 44,310	\$ 13,499	\$ 42,153
Accrued liabilities	2,258	-	-
Due to other funds	125,987	-	1,628
Unearned revenues	<u>79,414</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>251,969</u>	<u>13,499</u>	<u>43,781</u>
Deferred inflows of resources:			
Unavailable revenues	<u>13,133</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	13,094	-	12,896
Restricted	-	57,124	210,188
Unassigned (deficit)	<u>(69,455)</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>(56,361)</u>	<u>57,124</u>	<u>223,084</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 208,741</u>	<u>\$ 70,623</u>	<u>\$ 266,865</u>

<u>1/2%</u> <u>Sales Tax</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 27,798	\$ 28,348	\$ 286,022
16,321	14,334	132,810
-	-	74,113
19,796	22,934	142,730
-	-	14,095
<u>7,512</u>	<u>-</u>	<u>33,502</u>
<u>\$ 71,427</u>	<u>\$ 65,616</u>	<u>\$ 683,272</u>
\$ 935	\$ -	\$ 100,897
1,040	-	3,298
-	21,306	148,921
-	-	79,414
<u>1,975</u>	<u>21,306</u>	<u>332,530</u>
-	-	<u>13,133</u>
7,512	-	33,502
61,940	60,693	389,945
-	(16,383)	(85,838)
<u>69,452</u>	<u>44,310</u>	<u>337,609</u>
<u>\$ 71,427</u>	<u>\$ 65,616</u>	<u>\$ 683,272</u>

(continued)

TOWN OF BALDWIN, LOUISIANA

Balance Sheet (continued)
 Governmental Funds
 June 30, 2018

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

Total fund balances for governmental funds \$ 337,609

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets, net of accumulated depreciation		
Land	\$ 400,563	
Buildings	2,563,413	
Improvements	1,457,868	
Equipment	50,578	
Autos and trucks	128,632	
Construction in progress	<u>139,538</u>	4,740,592
Deferred outflows of resources related to net pension liability		77,497
Receivables not available to pay for current year expenditures		13,133
Long-term liabilities		
Bonds payable	(437,000)	
Accrued interest payable	(2,259)	
Intergovernmental agreement payable	(526)	
Net pension liability	<u>(209,508)</u>	(649,293)
Deferred inflows of resources related to net pension liability		<u>(35,369)</u>
Total net position of governmental activities		<u>\$4,484,169</u>

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

TOWN OF BALDWIN, LOUISIANA

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

	<u>General</u>	<u>1% Sales Tax</u>	<u>3/4% Sales Tax</u>
Revenues:			
Taxes	\$ 202,729	\$ 287,348	\$ 279,793
Licenses and permits	85,508	-	-
Intergovernmental	31,078	-	-
Charges for services	52,911	-	179,774
Fines and forfeits	63,010	-	-
Interest	131	75	86
Miscellaneous	<u>47,275</u>	<u>-</u>	<u>8,899</u>
Total revenues	<u>482,642</u>	<u>287,423</u>	<u>468,552</u>
Expenditures:			
Current -			
General government			
Administrative	377,471	-	-
Public safety:			
Police	18,403	-	-
Fire	-	-	72,814
Public works:			
Streets and drainage	91,239	-	169,497
Culture and recreation	65,196	-	-
Supporting services	54,670	-	-
Capital outlay	-	-	-
Debt service -			
Payment on intergovernmental agreement	3,127	-	-
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>610,106</u>	<u>-</u>	<u>242,311</u>
Excess (deficiency) of revenues over expenditures	<u>(127,464)</u>	<u>287,423</u>	<u>226,241</u>
Other financing sources (uses):			
Insurance proceeds	109,715	-	-
Proceeds from sale of assets	3,444	-	7,505
Transfers in	486,033	-	-
Transfers out	<u>(315,758)</u>	<u>(299,907)</u>	<u>(115,419)</u>
Total other financing sources (uses)	<u>283,434</u>	<u>(299,907)</u>	<u>(107,914)</u>
Net changes in fund balances	155,970	(12,484)	118,327
Fund balance (deficit), beginning (as restated)	<u>(212,331)</u>	<u>69,608</u>	<u>104,757</u>
Fund balances (deficit), ending	<u>\$ (56,361)</u>	<u>\$ 57,124</u>	<u>\$ 223,084</u>

<u>1/2%</u> <u>Sales Tax</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 93,239	\$ 84,430	\$ 947,539
-	-	85,508
-	59,943	91,021
-	-	232,685
-	-	63,010
14	59	365
955	-	57,129
<u>94,208</u>	<u>144,432</u>	<u>1,477,257</u>
-	51	377,522
238,081	-	256,484
-	-	72,814
-	-	260,736
-	-	65,196
-	-	54,670
-	59,943	59,943
-	-	3,127
-	98,000	98,000
-	22,150	22,150
<u>238,081</u>	<u>180,144</u>	<u>1,270,642</u>
<u>(143,873)</u>	<u>(35,712)</u>	<u>206,615</u>
-	-	109,715
-	-	10,949
197,323	120,199	803,555
(7,219)	(95,679)	(833,982)
<u>190,104</u>	<u>24,520</u>	<u>90,237</u>
46,231	(11,192)	296,852
<u>23,221</u>	<u>55,502</u>	<u>40,757</u>
<u>\$ 69,452</u>	<u>\$ 44,310</u>	<u>\$ 337,609</u>

(continued)

TOWN OF BALDWIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Governmental Funds
 Year Ended June 30, 2018

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

Total net changes in fund balances per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 296,852
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The change in net position reported for governmental activities in the statement of activities is different because:

Costs of capital assets	59,943
Depreciation expense	(242,203)
Insurance proceeds	(109,715)
Proceeds from versus gain on disposition of capital assets	11,019
Payments on intergovernmental agreement	3,881
Principal payments on bonds	98,000
Change in accrued interest	309
Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability	
Increase in pension expense	(4,383)
Nonemployer pension contribution revenue	<u>6,028</u>

Total changes in net position per Statement of Activities	<u>\$ 119,731</u>
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The accompanying notes are an integral part of the basic financial statements.

TOWN OF BALDWIN, LOUISIANA

Statement of Net Position
 Proprietary Funds
 June 30, 2018

ASSETS

Current assets:		
Cash and interest-bearing deposits	\$	116,575
Receivables, net		128,160
Due from other funds		25,987
Due from other governments		13,136
Prepaid expenses		2,497
Total current assets		<u>286,355</u>
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing deposits		7,110
Land		116,110
Capital assets, net of accumulated depreciation		<u>2,127,688</u>
Total noncurrent assets		<u>2,250,908</u>
Total assets		<u>2,537,263</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to net pension liability		<u>25,832</u>
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LIABILITIES

Current liabilities:		
Accounts payable		455,165
Due to other funds		19,796
Payable from restricted assets -		
Revenue bonds		84,000
Accrued interest payable		1,694
Total current liabilities		<u>560,655</u>
Noncurrent liabilities:		
Payable from restricted assets -		
Customers' deposits payable		64,883
Revenue bonds and notes payable		179,000
Net pension liability		<u>69,833</u>
Total noncurrent liabilities		<u>313,716</u>
Total liabilities		<u>874,371</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to net pension liability		<u>11,790</u>
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NET POSITION

Net investment in capital assets		1,980,798
Restricted for -		
Debt service		7,110
Unrestricted (deficit)		<u>(310,974)</u>
Total net position	\$	<u>1,676,934</u>

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

TOWN OF BALDWIN, LOUISIANA

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

Operating revenues:	
Charges for services -	
Gas sales and services	\$ 169,978
Water sales and services	435,575
Sewerage services	148,481
Delinquent charges	29,747
Commissions, transfers and reconnections	6,898
Intergovernmental - state grants	39,123
Miscellaneous	<u>2,012</u>
Total operating revenues	<u>831,814</u>
Operating expenses:	
Gas department	132,274
Water department	686,814
Sewerage department	130,037
Depreciation	<u>154,564</u>
Total operating expenses	<u>1,103,689</u>
Operating loss	<u>(271,875)</u>
Nonoperating revenues (expenses):	
Interest income	211
Interest and fiscal charges	<u>(13,067)</u>
Total nonoperating revenues (expenses)	<u>(12,856)</u>
Loss before transfers	(284,731)
Transfers in	80,000
Transfers out	<u>(49,573)</u>
Change in net position	(254,304)
Net position, beginning	<u>1,931,238</u>
Net position, ending	<u>\$ 1,676,934</u>

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

TOWN OF BALDWIN, LOUISIANA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

Cash flows from operating activities:	
Receipts from customers	\$ 755,022
Payments to suppliers	(621,812)
Payments to employees	<u>(75,000)</u>
Net cash provided by operating activities	<u>58,210</u>
Cash flows from noncapital financing activities:	
Receipts from other funds	(114,588)
Payments to other funds	<u>145,015</u>
Net cash provided by noncapital financing activities	<u>30,427</u>
Cash flows from capital and related financing activities:	
Interest and fiscal charges paid	(13,589)
Principal paid on bonds	<u>(81,000)</u>
Net cash used in capital and related financing activities	<u>(94,589)</u>
Cash flows from investing activities:	
Interest on investments	<u>211</u>
Net decrease in cash and cash equivalents	(5,741)
Cash and cash equivalents, beginning of period	<u>129,426</u>
Cash and cash equivalents, end of period	<u>\$ 123,685</u>

(continued)

TOWN OF BALDWIN, LOUISIANA

Statement of Cash Flows (continued)
 Proprietary Funds
 Year Ended June 30, 2018

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (271,875)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	154,564
Pension expense, net of nonemployer contributions	(462)
Changes in current assets and liabilities:	
Accounts receivable	(40,757)
(Increase) decrease in due from other governmental entities	(13,136)
Increase in due from other funds	(25,987)
Prepaid expenses	1
Accounts payable	250,762
Customer deposits	<u>5,100</u>
Net cash provided by operating activities	<u>\$ 58,210</u>

Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash and cash equivalents, beginning of period -	
Cash - unrestricted	\$ 122,322
Cash - restricted	<u>7,104</u>
Total cash and cash equivalents, beginning of period	<u>129,426</u>
Cash and cash equivalents, end of period -	
Cash - unrestricted	116,575
Cash - restricted	<u>7,110</u>
Total cash and cash equivalents, end of period	<u>123,685</u>
Net decrease in cash and cash equivalents	<u>\$ (5,741)</u>

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

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Town of Baldwin (the Town) was incorporated in 1913, under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513; and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The Town's combined financial statements include the accounts of all the Town's operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

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

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Town. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Fund Financial Statements

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

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

The major governmental funds of the Town are described below:

General Fund—primary operating fund of the Town.

Special Revenue Funds

1% Sales Tax Collection Fund—to account for the collection and distribution of proceeds of the Town's 1% sales and use tax. These taxes are dedicated to the construction, acquisition, improvement, maintenance and repair of streets, capital improvements, public works and buildings, paying salaries of municipal employees, operation of recreation facilities, operating expenses of equipment and vehicles, and for any other public purpose authorized by the Constitution and statutes of the state of Louisiana.

¾% Sales Tax Collection Fund—accounts for the receipt and use of proceeds of the Town's ¾% sales and use tax. Proceeds are dedicated to the construction, acquisition, extension, improvement, operation and maintenance of solid waste collection and disposal facilities. They may also be used for police and fire protection.

½% Sales Tax Collection Fund—accounts for the receipt and use of proceeds of the Town's ½% sales and use tax. Proceeds may be used for any lawful law enforcement purpose.

The Town has presented the following proprietary fund as a major fund:

Proprietary Fund

Utility Fund—accounts for the provision of gas, water, and sewerage services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Additionally, the Town reports the following fund types:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Debt Service Funds

Debt Service Funds account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Proprietary Fund

Enterprise Fund

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

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water, sewer and gas services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenues at that time. The Town considers property taxes available if they are collected within 60 days after year end. Expenditures are recorded when the related liability is incurred. However, debt service expenditures are recorded only when payment is due.

Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, charges for services and interest on investments. Franchise fees, licenses, permits and fines are recognized when received because they are not objectively measurable.

D. Cash and Interest-Bearing Deposits

Cash and interest-bearing deposits include amounts in demand deposits, interest-bearing demand deposits, and time deposits. Deposits are stated at cost, which approximates market.

E. Statement of Cash Flows

For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

G. Receivables

All receivables are shown net of an allowance account, as applicable.

H. Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Although the specific charge-off method is not in conformity with accounting principles generally accepted in the United States of America (GAAP), use of this method does not result in a material difference from the required valuation method.

Uncollectible mosquito and garbage service receivables, reported in the governmental funds, and gas, water, and sewer service receivables, reported in the proprietary fund, are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

I. Prepaid Items

Insurance payments made to insurance agencies that will benefit periods beyond the balance sheet date are recorded as prepaid items.

J. Capital Assets

Capital assets, which include property, plant, equipment, and vehicles, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statement for the proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$2,500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-30 years
Improvements other than buildings	10-40 years
Equipment	4-20 years
Autos and trucks	5-7 years

K. Vacation and Sick Leave

Vacation and sick leave are recorded as expenditures of the period in which paid. Sick leave does not accumulate and is not payable at termination of employment. Vacation must be taken in the year accrued and cannot be carried over. Any potential liability of Town for vacation and sick leave is considered immaterial; therefore, no liability has been recorded in the accounts.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

L. Long-term Debt

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

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

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

M. Deferred Outflows of Resources and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense or expenditure) until then. The Town reports deferred outflows of resources related to its net pension liability on its government-wide statement of net position and on its proprietary funds statement of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows arising from unavailable revenues. Unavailable revenue arises only under a modified accrual basis of accounting, so it is reported only in the governmental funds balance sheet. The Town also reports deferred inflows related to its net pension liability on its government-wide statement of net position and on its proprietary funds statement of net position.

N. Equity Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Fund financial statements

Proprietary fund equity is classified the same as in the government-wide statements. Governmental fund equity is classified as fund balance. Fund balance for the Town's governmental funds is displayed depicting the relative strength of the spending constraints placed on the purposes for which resources can be used. In the governmental fund financial statements, fund balances are classified as follows:

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Board members have provided otherwise in its commitment or assignment actions.

O. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

In the fund financial statements, expenditures are classified by function and character in governmental funds and as operating or nonoperating in proprietary funds.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

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

P. Interfund Transfers

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Q. Capitalization of Interest Expense

It is the policy of the Town to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets. For the current period, no interest was capitalized.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS), and additions to/deductions from the retirement system's net positions have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results may differ from those estimates.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(2) Cash and Interest-Bearing Deposits

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

At June 30, 2018, the Town has cash and interest-bearing deposits (book balances) totaling \$409,705 as follows:

Demand deposits	\$ 409,605
Petty Cash	<u>100</u>
	<u>\$ 409,705</u>

The Town's deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2018 are as follows:

Bank balances	<u>\$ 444,227</u>
Federal insurance	250,000
Collateralized by pledged securities	<u>194,227</u>
Total federal deposit insurance and pledged securities	<u>\$ 444,227</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. The Town does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At June 30, 2018, deposits in the amount of \$194,227 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the Town's fiscal agent but not in the Town's name.

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Mary Parish. Town property tax revenues are budgeted in the year billed.

For the year ended June 30, 2018, taxes of 11.86 mills were levied on property with assessed valuations totaling \$8,840,494, and were dedicated for general corporate purposes.

Total taxes levied were \$104,848.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(4) Receivables

Receivables at June 30, 2018 of \$335,083 consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts	\$ 49,579	\$ 130,159	\$179,738
Taxes—			
Ad valorem	32,540	-	32,540
Sales	132,810	-	132,810
Other—			
Franchise fees	23,505	-	23,505
	<u>238,434</u>	<u>130,159</u>	<u>368,593</u>
Less: allowance for uncollectible	<u>(31,511)</u>	<u>(1,999)</u>	<u>(33,510)</u>
Net receivables	<u>\$ 206,923</u>	<u>\$ 128,160</u>	<u>\$335,083</u>

(5) Interfund Receivables/Payables

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major governmental:		
General Fund	\$ -	\$ 125,987
Special Revenue Funds:		
3/4% Sales Tax Fund	100,000	1,628
1/2% Sales Tax Fund	19,796	-
Utility Fund	25,987	19,796
Nonmajor governmental	<u>22,934</u>	<u>21,306</u>
Total interfund receivables/payables	<u>\$ 168,717</u>	<u>\$ 168,717</u>

These receivables and payables reverse in the normal course of operations. All remaining balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between the funds are made.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(6) Due from Other Governmental Units

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

Governmental activities:

FEMA reimbursements due from the State of LA -- Department of Homeland Security	\$ 13,133
Beer taxes due from the State of Louisiana	962
	<u>\$ 14,095</u>

Business-type activities:

LGAP reimbursements due from the State of Louisiana	<u>\$ 13,136</u>
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(7) Restricted Assets – Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2018:

Revenue bond reserve fund	\$ 501
Revenue bond sinking fund	500
Capital Additions and Contingencies Fund	<u>6,109</u>
	<u>\$ 7,110</u>

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(8) Capital Assets

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 400,563	\$ -	\$ -	\$ 400,563
Construction in progress	79,595	59,943	-	139,538
	<u>480,158</u>	<u>59,943</u>	<u>-</u>	<u>540,101</u>
Capital assets being depreciated:				
Buildings	3,793,671	-	(267,729)	3,525,942
Improvements other than buildings	2,683,699	-	-	2,683,699
Equipment	390,121	-	(124,172)	265,949
Autos and trucks	1,646,682	-	(221,447)	1,425,235
	<u>8,514,173</u>	<u>-</u>	<u>(613,348)</u>	<u>7,900,825</u>
Less accumulated depreciation for:				
Buildings	(1,025,235)	(110,699)	173,405	(962,529)
Improvements other than buildings	(1,115,192)	(110,639)	-	(1,225,831)
Equipment	(324,660)	(10,518)	119,807	(215,371)
Autos and trucks	(1,492,411)	(10,347)	206,155	(1,296,603)
	<u>(3,957,498)</u>	<u>(242,203)</u>	<u>499,367</u>	<u>(3,700,334)</u>
Total capital assets being depreciated, net	<u>4,556,675</u>	<u>(242,203)</u>	<u>113,981</u>	<u>4,200,491</u>
Governmental activities capital assets, net	<u>\$ 5,036,833</u>	<u>\$ (182,260)</u>	<u>\$ 113,981</u>	<u>\$ 4,740,592</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 116,110	\$ -	\$ -	\$ 116,110
Capital assets being depreciated:				
Gas utility system	546,880	-	-	546,880
Water utility system	2,905,002	-	-	2,905,002
Sewerage utility system	3,745,917	-	-	3,745,917
	<u>7,197,799</u>	<u>-</u>	<u>-</u>	<u>7,197,799</u>
Less accumulated depreciated for:				
Gas utility system	(453,371)	(6,373)	-	(459,744)
Water utility system	(2,111,283)	(72,551)	-	(2,183,834)
Sewerage utility system	(2,350,893)	(75,640)	-	(2,426,533)
	<u>(4,915,547)</u>	<u>(154,564)</u>	<u>-</u>	<u>(5,070,111)</u>
Total capital assets being depreciated, net	<u>2,282,252</u>	<u>(154,564)</u>	<u>-</u>	<u>2,127,688</u>
Business-type activities capital assets, net	<u>\$ 2,398,362</u>	<u>\$ (154,564)</u>	<u>\$ -</u>	<u>\$ 2,243,798</u>

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Depreciation expense was charged as direct expense to programs of the Town as follows:

Governmental Activities:	
General government	\$ 2,860
Culture and recreation	92,356
Public safety	58,427
Public works	<u>88,560</u>
Total depreciation expense - governmental activities	<u>\$ 242,203</u>
Business-Type Activities:	
Gas, water, and sewerage	<u>\$ 154,564</u>

Capital Asset Impairment

During the year, the Town's police station caught fire and burned. The facility was completely destroyed. The facility and contents had a carrying value of \$96,413 at the time of the fire which has been reduced due to impairment to a carrying value of \$15,285, the estimated value of the land. The evaluation of the amount of the impairment loss is based on the carrying value of the facility and its contents and the determination by the insurance company that the facility was a total loss (Level 3, unobservable inputs, on the fair value hierarchy). The Town received insurance proceeds totaling \$109,715 which are reported as an other financing source on the fund financial statements. Due to the Town's current financial condition, restoration of the facility is unlikely.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(9) Long-Term Debt

Bonds and certificates outstanding at June 30, 2018 are as follows:

Governmental Activities:

\$500,000 Certificate of Indebtedness, Series 2008,
interest payable semi-annually on May 1
and November 1, bearing interest at 4.17% per
annum, with varying annual principal maturities
from November 2009 to 2023. 235,000

\$400,000 Limited Tax Revenue Bonds, Series 2009,
interest payable semi-annually on June 1 and
December 1, bearing interest at 3.7% per annum,
with varying annual principal maturities from
June 2011 to 2020. 94,000

\$250,000 Limited Tax Revenue Bonds, Series 2010,
interest payable semi-annually on June 1 and
December 1, bearing interest at 3.25% per annum,
with varying annual principal maturities from
June 1, 2011 to 2023. 108,000

Total \$ 437,000

Bonds and certificates outstanding for governmental activity purposes are liquidated by debt service funds.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

The Town entered into an Intergovernmental Agreement with St. Mary Parish School Board to purchase property formerly known as Baldwin Elementary School. The Town purchased the property for the sum of \$50,000 to be paid by the Town by waiving all utility payments owed to the Town by the St. Mary Parish School Board for such period as will satisfy the amount of \$50,000. As of June 30, 2018, the Town has waived utility payments owed to the Town by the St. Mary Parish School Board totaling \$49,474. A balance of \$526 remains.

Business-Type Activities:

\$1,250,000 Utilities Revenue Bonds, Series 2001, interest payable semi-annually on May 1, and November 1, bearing interest at 3.45% per annum, plus a .5% per annum administrative fee, with varying annual principal maturities from May 2003 to 2021.

\$ 263,000

Long term liabilities for business-type activities are satisfied by the Town's Proprietary Funds.

Transactions for the year ended June 30, 2018 are summarized as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within one year
Governmental Activities:					
Certificates of Indebtedness	\$ 270,000	\$ -	\$ 35,000	\$ 235,000	\$ 35,000
Limited Tax Revenue Bonds	265,000	-	63,000	202,000	65,000
Intergovernmental Agreement	4,407	-	3,881	526	526
Total Governmental Activities	<u>539,407</u>	-	<u>101,881</u>	<u>437,526</u>	<u>100,526</u>
Business-type Activities:					
Revenue Bonds	<u>344,000</u>	-	<u>81,000</u>	<u>263,000</u>	<u>84,000</u>
Total	<u>\$ 883,407</u>	<u>\$ -</u>	<u>\$ 182,881</u>	<u>\$ 700,526</u>	<u>\$ 184,526</u>

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

The annual requirements to service all formal debt issues outstanding as of June 30, 2018 are as follows:

June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	100,000	17,407	84,000	10,388
2020	103,000	13,390	88,000	7,070
2021	62,000	9,150	91,000	3,594
2022	63,000	6,492	-	-
2023	64,000	3,790	-	-
2024-2027	45,000	938	-	-
Total	<u>437,000</u>	<u>51,167</u>	<u>263,000</u>	<u>21,052</u>

During the fiscal year ended June 30, 2018 , the Town was not in compliance with the ordinance authorizing the issuance of Utilities Revenue Bonds, Series 2001 related to the following:

The Town did not make the required monthly transfers from the Utility Revenue Fund to the Utility Revenue Bond Sinking Fund. Utilities Revenue Bonds, Series 2001 requires a transfer into the Sinking Fund monthly, in advance, on or before the twentieth (20th) day of each month of each year an amount equal to the principal, interest, and an administrative fee, together with such additional proportionate sum as may be required to pay principal, interest, and the administrative fee as the same respectively become due.

The Town has not properly maintained a Utilities Revenue Bond Reserve Fund. Utilities Revenue Bonds, Series 2001 requires a transfer from the Revenue Fund into the Reserve Fund monthly in advance on or before the twentieth (20th) day of each month of each year a sum equal to 25% of the amount required to be paid into the Sinking Fund.

The Town has not properly maintained a Utilities System Capital Additions and Contingencies Fund. Utilities Revenue Bonds, Series 2001 requires the establishment and maintenance of a Utilities System Capital Additions and Contingencies Fund (the “Depreciation and Contingencies Fund”), by transferring from the Revenue Fund to the Depreciation and Contingencies Fund monthly on or before the 20th day of each month of each year a sum of \$2,000, until such time as there has been accumulated in said Fund the sum of \$30,000. These funds may be used for the making of extensions, additions, improvements, renewals and replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. However, a balance of \$5,000 must be maintained for the making of emergency repairs or replacements.

The Town did not adjust utility rates to maintain required revenues. Utilities Revenue Bonds, Series 2001 requires utility rates to be established and maintained to provide revenues in each year at least sufficient to pay (i) the necessary expenses of administering, operating and maintaining the System in such year, (ii) the principal and interest maturing on the Bonds payable in each year, (iii) all reserve or sinking funds or other payments required for such year by the Bond Ordinance, and (iv) all other obligations and indebtedness payable out of the income and revenues of the System during such year, and which will provide revenues in each year, after paying all reasonable and necessary expenses of administering, operating and maintaining the System in such year, at least equal to 130% of the largest amount of principal and interest maturing on the Bonds.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(10) Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	1% Sales Tax	3/4% Sales Tax	1/2% Sales Tax	Other Governmental Funds	Total Governmental Funds
Fund balances:						
Nonspendable -						
Prepaid items	\$ 13,094	\$ -	\$ 12,896	\$ 7,512	\$ -	\$ 33,502
Restricted for -						
Capital improvements	-	-	-	-	36	36
Sales and use tax restrictions	-	57,124	210,188	61,940	56,421	385,673
Special programs	-	-	-	-	4,236	4,236
Total fund balances - restricted	-	57,124	210,188	61,940	60,693	389,945
Unassigned (deficit)	(69,455)	-	-	-	(16,383)	(85,838)
Total fund balances	\$ (56,361)	\$ 57,124	\$ 223,084	\$ 69,452	\$ 44,310	\$ 337,609

The General Fund and the Bond Sinking Fund, which is a nonmajor fund, have unassigned fund balance deficits of \$69,455 and \$16,383, respectively. These deficits are expected to be eliminated in future years by identifying and assessing additional revenue sources, expenditure reduction through employee attrition, and transfers from other funds.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(11) Interfund Transfers

Operating transfers for the year ended June 30, 2018 were as follows:

	Transfers in				
	General	1/2% Sales Tax	Nonmajor	Utility	Total
Transfers out:					
General	\$ -	\$ 160,323	\$ 95,435	\$ 60,000	\$ 315,758
1% Sales Tax	262,907	37,000	-	-	299,907
3/4% Sales Tax	80,704	-	24,715	10,000	115,419
1/2% Sales Tax	7,219	-	-	-	7,219
Nonmajor	85,630	-	49	10,000	95,679
Utility	49,573	-	-	-	49,573
Total	<u>\$ 486,033</u>	<u>\$ 197,323</u>	<u>\$ 120,199</u>	<u>\$ 80,000</u>	<u>\$ 883,555</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(12) Flow of Funds; Restrictions on Use – Utilities Revenues

Under the terms of the bond indentures on outstanding Utilities System revenue bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Utilities System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds:

Each month, there will be set aside into a fund called the “Revenue Bond Sinking Fund” an amount constituting 1/12 of the next maturing principal payment and 1/6 of the next maturing installment of interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments.

There shall also be set aside into a “Revenue Bond Reserve Fund” an amount equal to the highest combined principal and interest requirements on the bonds for any succeeding fiscal year. Such amount may be used only for the payment of maturing bonds and interest for which sufficient funds are not on deposit in the Revenue Bond Sinking Fund and as to which there would otherwise be default.

Funds totaling \$30,000 will also be set aside into a “Contingencies Fund.” These funds may be used for the making of extensions, additions, improvements, renewals and replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. However, a balance of \$5,000 must be maintained for the making of emergency repairs or replacements.

All revenue received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

(13) Dedication of Proceeds and Flow of Funds – Sales and Use Taxes

The Town collects sales taxes under four sales tax levies as follows:

Proceeds of a 1% parish wide sales and use tax levied in 1966 (2018 collections \$287,348). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to each participating municipality on a monthly basis. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition, maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality, and for any other public purpose authorized by state law.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Proceeds of a 3/10 of 1% sales and use tax levied in 1982 (2018 collections \$84,430). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly to each participating municipality. Proceeds are dedicated to the following purposes; constructing, acquiring, extending, improving and maintaining any public works or capital improvements, including but not limited to sewerage, drainage, sub-surface drainage, water and flood control extensions and improvements, streets, roads, sidewalks, and bridges.

Proceeds of a 3/4 of 1% sales and use tax levied in 1974 and 1987 (2018 collections \$279,793). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly to each participating municipality. Proceeds are to be used for the construction, acquisition, extension, improvement, operation and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works and other facilities for pollution control and abatement; fire and police protection, and to pay debt service requirements on bonds issued for any of the above-mentioned purposes. This tax is to be collected until all bonds payable shall have been paid in full in principal and interest.

Proceeds of a 1/2% parish wide sales and use tax levied in 1998 (2018 collections \$93,239). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to the St. Mary Parish Sheriff, the Parish of St. Mary and each participating municipality on a monthly basis. Proceeds of this tax may be used by the municipalities for any lawful law enforcement purpose.

(14) Pension Plans

Eligible employees of the Town participate in a cost-sharing multiple-employer public employee retirement system, the Municipal Employees' Retirement System (MERS), which is controlled and administered by a board of trustees. The retirement system provides retirement, disability and death benefits to plan members and their beneficiaries. Pertinent information relative to the plan follows:

Plan Description: MERS was established by Act 356 of the 1954 regular session of the Louisiana Legislature. MERS provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the system. The Town participates in Plan B of MERS.

Eligibility Requirements: Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week.

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

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Any age with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Any member of Plan B Tier 2 shall be eligible for retirement if he meets one of the following requirements:

1. Seven (7) years or more of service, at age sixty-seven or thereafter.
2. Ten (10) years or more of service, at age sixty-two, or thereafter.
3. Thirty (30) years or more of service, at age fifty-five or thereafter.
4. Twenty-five (25) years of service credit at any age, exclusive of military service and unused annual sick leave.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits: Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

1. Surviving spouse who is married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or
2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty percent benefit payable when the surviving spouse attains the age of sixty years.

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

Any member of Plan B who had not withdrawn their accumulated contributions and had at least twenty years of service credit at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

Deferred Retirement Option Plan (DROP) Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits: For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service; in which he would receive a regular retirement under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater; or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

Cost of Living Increases: MERS is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the system to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits: Plan B provides for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at the time of withdrawal.

Employer Contributions: Contributions for all members are established by statute. Member contributions are at 5% of earnable compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating municipality.

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2017, the actual employer contribution rate for Plan B was 11%.

Non-Employer Contributions: According to state statute, the System also receives one-fourth (1/4) of 1% of ad valorem taxes within the respective parish and state revenue sharing funds. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities but are not considered special funding situations.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At June 30, 2018, The Town reported liabilities in its government-wide financial statements of \$209,508 and \$69,833 in its governmental activities and its business-type activities, respectively, for its proportionate share of the net pension liabilities of MERS. The net pension liabilities were measured as of June 30, 2017 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

participating employers, actuarially determined. At June 30, 2017, the Town's proportional share of MERS was 0.322849%, which was a decrease of 0.322849% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized a pension expense of \$24,638 in its governmental activities and a pension expense of \$8,213 in its business-type activities related to its participation in MERS.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,097	\$ 4,548	\$ 366	\$ 1,516
Changes of assumptions	9,224	-	3,075	-
Net difference between projected and actual earnings on pension plan investments	44,142	-	14,714	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,239	30,821	1,079	10,274
Employer contributions subsequent to the measurement date	<u>19,795</u>	<u>-</u>	<u>6,598</u>	<u>-</u>
	<u>\$ 77,497</u>	<u>\$ 35,369</u>	<u>\$ 25,832</u>	<u>\$ 11,790</u>

The \$26,393 reported as deferred outflows of resources related to pensions resulting from Town contributions to MERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2019	\$ 8,574	\$ 2,858	\$ 11,432
2020	4,177	1,392	5,569
2021	7,598	2,532	10,130
2022	<u>1,984</u>	<u>662</u>	<u>2,646</u>
	<u>\$ 22,333</u>	<u>\$ 7,444</u>	<u>\$ 29,777</u>

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Actuarial Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

	Municipal Employees' Retirement System (MERS)
	<hr/>
Valuation Date	June 30, 2017
Actuarial cost method	Entry Age Normal
Actuarial cost assumptions:	
Investment rate of return	7.4%, net of investment expense
Projected salary increases	5.00% (2.775% Inflation, 2.225% Merit)
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	RP-2000 Employees Sex Distinct Table set back 2 years for both males and females.
Disabled lives mortality	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 for females.
Expected remaining service lives	4 years

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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

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

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public Equity	50%	2.3%
Public fixed income	35%	1.6%
Alternatives	15%	0.7%
Totals	100%	4.6%
Inflation		2.6%
Expected Arithmetic Nominal Return		7.2%

Discount Rate: The discount rate used to measure the total pension liability was 7.4% for MERS, which is a decrease of 0.10% from the previous measurement data. 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, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate: The following presents the employers' proportionate share of the net pension liability using the applicable discount rate 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 or one percentage point higher than the current rate:

	Changes in Discount Rate:		
	MERS - Plan B		
	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	\$ 361,434	\$ 279,341	\$ 209,283

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Town recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2018, the Town recognized revenue as a result of support received from non-employer contributing entities of \$8,038 for its participation in MERS.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Payables to the Pension Plan: The Town recorded accrued liabilities to MERS for the year ended June 30, 2018, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accounts and other payables. The balance due to MERS as of June 30, 2018 is \$4,156.

Pension Plan Fiduciary Net Positions: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for MERS available at www.mersla.com.

(15) Compensation of Town Officials

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

Mayor:	
Donna Lewis Lanceslin	36,336
Aldermen:	
Herbert Bell, Sr.	3,600
Magaret Coleman	3,600
Donald Grimm	3,600
Gene St. Germain	3,600
Clarence Vappie	3,600
	<u>\$ 54,336</u>

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to a political subdivision head. For the year ended June 30, 2018, payments made to Mayor Donna Lewis Lanceslin requiring disclosure are as follows:

Salary	\$ 36,336
Benefits-retirement	3,634
Car allowance	4,800
Reimbursements	1,757
	<u>\$ 46,527</u>

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(16) Summary of Federal Grant Funding

The Town received the following federal grant during the year ended June 30, 2018:

<u>Funding Source</u>	<u>Award Number</u>	<u>Recognized Revenues</u>
U.S. Department of Housing and Urban Development: Passed through Louisiana Division of Administration: Flood Protection Levee System	B-08-DI-22-0001	\$ 59,043

(17) Litigation and Claims

At June 30, 2018, the Town is involved in several lawsuits claiming damages. In the opinion of the Town's legal representatives, resolution of these lawsuits would not create a liability to the Town in excess of insurance coverage.

(18) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Town is insured up to policy limits for each of the above risks with the exception of those risks subject to general liability coverage and workers' compensation coverage. The Town terminated its general liability coverage as of July 1, 2011. There were no significant changes in coverage's, retentions, or limits during the year ended June 30, 2018. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

(19) Restatement

Net position of governmental activities and fund balance of the general fund as of June 30, 2017 was restated to correct the balances of accounts and other payables and loans and other agreements payable due to prescription in prior periods. The result of the restatement was as follows:

	<u>Government-Wide Financial Statements</u>	<u>General Fund</u>
	<u>Governmental Activities</u>	
Beginning balance, before restatement	\$ 4,075,915	\$ (309,092)
Correction of account balances	<u>288,523</u>	<u>96,761</u>
Beginning balance, as restated	<u>\$ 4,364,438</u>	<u>\$ (212,331)</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BALDWIN, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 205,000	\$ 189,600	\$ 202,729	\$ 13,129
Licenses and permits	75,000	38,396	85,508	47,112
Intergovernmental	52,100	56,963	31,078	(25,885)
Charges for services	22,800	34,790	52,911	18,121
Fines and forfeits	29,500	59,772	63,010	3,238
Interest	-	92	131	39
Miscellaneous	18,460	52,517	47,275	(5,242)
Total revenues	<u>402,860</u>	<u>432,130</u>	<u>482,642</u>	<u>50,512</u>
Expenditures:				
General government-				
Administrative	348,200	358,694	377,471	(18,777)
Public safety-				
Police	2,700	(7,841)	18,403	(26,244)
Public works-				
Streets and drainage	160,100	135,026	91,239	43,787
Culture and recreation	116,235	65,084	65,196	(112)
Supporting services	93,500	41,169	54,670	(13,501)
Debt sevice	-	-	3,127	(3,127)
Total expenditures	<u>720,735</u>	<u>592,132</u>	<u>610,106</u>	<u>(17,974)</u>
Deficiency of revenues over expenditures	<u>(317,875)</u>	<u>(160,002)</u>	<u>(127,464)</u>	<u>32,538</u>
Other financing sources (uses):				
Insurance Proceeds	-	109,715	109,715	-
Proceeds from sale of assets	-	3,444	3,444	-
Transfers in	434,000	328,354	486,033	157,679
Transfers out	(124,000)	(132,846)	(315,758)	(182,912)
Total other financing sources (uses)	<u>310,000</u>	<u>308,667</u>	<u>283,434</u>	<u>(25,233)</u>
Net changes in fund balances	(7,875)	148,665	155,970	7,305
Fund balance (deficit), beginning (as restated)	<u>(47,814)</u>	<u>(584,867)</u>	<u>(212,331)</u>	<u>372,536</u>
Fund balance (deficit), ending	<u>\$ (55,689)</u>	<u>\$ (436,202)</u>	<u>\$ (56,361)</u>	<u>\$ 379,841</u>

See accompanying notes to budgetary comparison schedules.

TOWN OF BALDWIN, LOUISIANA
1% Sales Tax Collection Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes - sales tax	\$ 275,000	\$ 265,114	\$ 287,348	\$ 22,234
Interest	<u>70</u>	<u>73</u>	<u>75</u>	<u>2</u>
Total revenues	<u>275,070</u>	<u>265,187</u>	<u>287,423</u>	<u>22,236</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	275,070	265,187	287,423	22,236
Other financing sources (uses):				
Transfers out	<u>(189,000)</u>	<u>(229,630)</u>	<u>(299,907)</u>	<u>(70,277)</u>
Net changes in fund balances	86,070	35,557	(12,484)	(48,041)
Fund balance, beginning	<u>56,457</u>	<u>56,457</u>	<u>69,608</u>	<u>13,151</u>
Fund balance, ending	<u>\$ 142,527</u>	<u>\$ 92,014</u>	<u>\$ 57,124</u>	<u>\$ (34,890)</u>

See accompanying notes to budgetary comparison schedules.

TOWN OF BALDWIN, LOUISIANA
3/4% Sales Tax Collection Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes - sales tax	\$ 270,000	\$ 259,324	\$ 279,793	\$ 20,469
Charges for services	200,900	167,223	179,774	12,551
Interest	90	78	86	8
Other	-	8,899	8,899	-
Total revenues	470,990	435,524	468,552	33,028
Expenditures:				
Public Safety -				
Fire	57,500	58,365	72,814	(14,449)
Sanitation	213,500	163,867	169,497	(5,630)
Total expenditures	271,000	222,232	242,311	(20,079)
Excess (deficiency) of revenues over expenditures	199,990	213,292	226,241	12,949
Other financing sources (uses):				
Proceeds from sale of assets	-	7,505	7,505	-
Transfers out	(124,288)	(115,028)	(115,419)	(391)
Total other financing sources (uses)	(124,288)	(115,028)	(107,914)	(391)
Net changes in fund balances	75,702	98,264	118,327	12,558
Fund balance, beginning	54,305	54,305	104,757	50,452
Fund balance, ending	\$ 130,007	\$ 152,569	\$ 223,084	\$ 63,010

See accompanying notes to budgetary comparison schedules.

TOWN OF BALDWIN, LOUISIANA
1/2% Sales Tax Collection Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes - sales tax	\$ 92,000	\$ 86,418	\$ 93,239	\$ 6,821
Interest	15	11	14	3
Miscellaneous	600	500	955	455
Total revenues	92,615	86,929	94,208	7,279
Expenditures:				
Public Safety - Police	234,400	226,612	238,081	(11,469)
(Deficiency) of revenues over expenditures	(141,785)	(139,683)	(143,873)	(4,190)
Other financing sources (uses):				
Transfers in	74,000	181,529	197,323	15,794
Transfers out	-	(7,219)	(7,219)	-
Total other financing sources (uses)	74,000	174,310	190,104	15,794
Net changes in fund balances	(67,785)	34,627	46,231	11,604
Fund balance, beginning	(5,699)	(5,699)	23,221	28,920
Fund balance, ending	\$ (73,484)	\$ 28,928	\$ 69,452	\$ 40,524

See accompanying notes to budgetary comparison schedules.

TOWN OF BALDWIN, LOUISIANA

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

Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.043217%	202,900	338,783	59.9%	76.94%
2015	0.463961%	315,330	299,768	105.2%	68.71%
2016	0.342063%	283,539	253,129	112.0%	62.11%
2017	0.322849%	279,341	236,639	118.0%	63.49%

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

TOWN OF BALDWIN, LOUISIANA

Schedule of Employer Contributions
Year Ended June 30, 2018

<u>Year ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2015	28,478	28,478	-	299,768	9.50%
2016	24,047	24,047	-	253,129	9.50%
2017	26,360	26,360	-	239,639	11.00%
2018	26,393	26,393	-	199,195	13.25%

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

TOWN OF BALDWIN, LOUISIANA

Notes to Required Supplementary Information

(1) Budgetary Basis of Accounting

The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Mayor and board of Aldermen.

(2) Budget Adoption

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

1. The Mayor prepares a proposed budget and submits it to the Board of Aldermen for the fiscal year no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published, and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfers of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.

(3) Excess of Expenditures Over Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the General Fund, 3/4% Sales Tax Collection Fund, and 1/2% Sales Tax Collection Fund by \$17,974, \$20,079, and \$11,469, respectively. These excess expenditures were covered by transfers from other funds.

(4) Municipal Employees' Retirement System

1. Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2018.
2. Changes of assumptions – Changes of assumptions for the year ended June 30, 2018 were as follows for the valuation date June 30, 2017:
 - a) Investment rate of return used was 7.40%, a decrease from 7.50% in 2016.
 - b) Inflation rate used was 2.775%, a decrease from 2.875% in 2016.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF BALDWIN, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
June 30, 2018

	Special Revenue			Capital Project	Debt Service	
	3/10% Sales Tax	Special Fire Equipment	LCDBG Housing	Flood Protection Levee System Project	Bond Sinking	Total Nonmajor Governmental Funds
ASSETS						
Cash and interest bearing deposits	\$ 17,353	\$ 1,280	\$ 4,756	\$ 36	\$ 4,923	\$ 28,348
Receivables:						
Accounts receivable	14,334	-	-	-	-	14,334
Due from other funds	24,734	-	(1,800)	-	-	22,934
Total assets	\$ 56,421	\$ 1,280	\$ 2,956	\$ 36	\$ 4,923	\$ 65,616
LIABILITIES						
Liabilities-						
Due to other funds	-	-	-	-	21,306	21,306
FUND BALANCES						
Fund balances -						
Restricted	56,421	1,280	2,956	36	-	60,693
Unassigned	-	-	-	-	(16,383)	(16,383)
Total fund balances	56,421	1,280	2,956	36	(16,383)	44,310
Total liabilities and fund balances	\$ 56,421	\$ 1,280	\$ 2,956	\$ 36	\$ 4,923	\$ 65,616

TOWN OF BALDWIN, LOUISIANA
Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2018

	Special Revenue			Capital Project	Debt Service	Total Nonmajor Governmental Funds
	3/10% Sales Tax	Special Fire Equipment	LCDBG Housing	Flood Protection Levee System Project	Bond Sinking	
Revenues:						
Taxes	\$ 84,430	\$ -	\$ -	\$ -	\$ -	\$ 84,430
Intergovernmental	-	-	59,943	-	-	59,943
Interest	54	-	-	-	5	59
Total revenues	<u>84,484</u>	<u>-</u>	<u>59,943</u>	<u>-</u>	<u>5</u>	<u>144,432</u>
Expenditures:						
Current -						
General government	-	-	51	-	-	51
Capital outlay	-	-	59,943	-	-	59,943
Debt service -						
Principle retirement	-	-	-	-	98,000	98,000
Interest and fiscal charges	-	-	-	-	22,150	22,150
Total expenditures	<u>-</u>	<u>-</u>	<u>59,994</u>	<u>-</u>	<u>120,150</u>	<u>180,144</u>
Excess (deficiency) of revenues over expenditures	<u>84,484</u>	<u>-</u>	<u>(51)</u>	<u>-</u>	<u>(120,145)</u>	<u>(35,712)</u>
Other financing sources (uses):						
Transfers in	-	-	49	-	120,150	120,199
Transfers out	(95,630)	-	-	(49)	-	(95,679)
Total other financing sources (uses)	<u>(95,630)</u>	<u>-</u>	<u>49</u>	<u>(49)</u>	<u>120,150</u>	<u>24,520</u>
Net changes in fund balances	(11,146)	-	(2)	(49)	5	(11,192)
Fund balances, beginning,	<u>67,567</u>	<u>1,280</u>	<u>2,958</u>	<u>85</u>	<u>(16,388)</u>	<u>55,502</u>
Fund balances, ending	<u>\$ 56,421</u>	<u>\$ 1,280</u>	<u>\$ 2,956</u>	<u>\$ 36</u>	<u>\$ (16,383)</u>	<u>\$ 44,310</u>

TOWN OF BALDWIN, LOUISIANA

Schedule of Number of Utility Customers
June 30, 2018

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

<u>Department</u>	<u>2018</u>	<u>2017</u>
Gas	518	536
Water	712	733
Sewerage	770	792

TOWN OF BALDWIN, LOUISIANA

Schedule of Utility Rates
Year Ended June 30, 2018

Monthly Water Rates:

\$24.00 for the first 2000 gallons used or consumed plus:
\$9.00 per thousand gallons after, 2,001 gallons used or consumed thereafter

Monthly Natural Gas Rates:

\$9.00 for the first 100 cf used or consumed and the actual cost, plus \$4.00 for each 1,000 cubic feet used or consumed thereafter.

Monthly Sewer Rates:

\$11.25 for the first 4,000 gallons of water used or consumed and \$2.00 per thousand gallons thereafter.

TOWN OF BALDWIN, LOUISIANA

Schedule of Amounts Billed for Services
Year Ended June 30, 2018

Records maintained by the Town indicated the following amounts billed for services during the year ended June 30, 2018:

<u>Department</u>	<u>2018</u>
Gas	\$ 188,094
Water	451,927
Sewerage	142,501

TOWN OF BALDWIN, LOUISIANA

Schedule of Average Monthly Billing Per User
Year Ended June 30, 2018

Records maintained by the Town indicated the following average monthly billing per user for services:

<u>Department</u>	<u>2018</u>
Gas	\$ 32
Water	53
Sewerage	14

TOWN OF BALDWIN, LOUISIANA

Analysis of Additions, Replacements, and Improvements to Utility System
Year Ended June 30, 2018

The following addition was added to the utility system:

None

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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

The Honorable Donna Lewis Lanceslin, Mayor
and Members of the Board of Aldermen
Town of Baldwin, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Baldwin (the Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 31, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses, and which are described in the accompanying schedule of audit results and findings as items 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, and 2018-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit results and findings as items 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, and 2018-013.

We noted certain matters that we reported to the management of the Town in a separate letter dated December 31, 2018.

Town's Response to Findings

The Town's responses to the findings identified in our audit are included in the accompanying corrective action plan for current year findings. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of 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. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 31, 2018

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Part I. Finding reported in accordance with *Government Auditing Standards*:

A. Internal Control-

2017-001 Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

STATUS: This finding is unresolved. See current year finding 2018-001.

2017-002–Material Financial Statement Adjustments

CONDITION: Misstatements in the financial statements were not prevented, nor detected and corrected by the Town’s internal control resulting in proposed audit adjustments material to the financial statements.

RECOMMENDATION: We recommend the Town design and implement policies and procedures or follow implemented policies and procedures which provide assurance to the fair presentation of the financial statements.

STATUS: This finding is unresolved. See current year finding 2018-002.

2017-003–Reconciliation of Customer Deposits

CONDITION: The Town does not reconcile customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances. Also, customer deposits were not put into the Town’s utility software in a timely manner.

RECOMMENDATION: We recommend that the Town implement policies and procedures to ensure that customer water and gas meter deposit balances on its utility software are reconciled to the Town’s accounting software and the related cash balances.

STATUS: This finding is unresolved. See current year finding 2018-003.

2017-004- Net Position / Fund Balance Deficits

CONDITION: The Town has accumulated net position / unassigned fund balance deficits in its governmental activities, business-type activities, General Fund, Bond Sinking Fund, and Proprietary Fund totaling \$643,410, \$131,535, \$316,934, \$16,388, and \$131,535, respectively.

RECOMMENDATION: We recommend the Town perform an evaluation of its financial status and seek additional revenue sources. We also recommend the Town evaluate its level of expenditure and services provided and reduce and/or eliminate expenditures and/or levels of service.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

STATUS: This finding is unresolved. See current year finding 2018-004.

2017-005- Bank Reconciliations

CONDITION: Bank reconciliations were not properly prepared.

RECOMMENDATION: We recommend that the Town implement policies and procedures to ensure that bank reconciliations are properly prepared.

STATUS: This finding has been resolved.

2017-006 Reconciliation of Gallons of Water Produced to Gallons of Water Billed

CONDITION: The Town only billed 40% of the water produced during the fiscal year, and the Town does not reconcile gallons of water produced to gallons of water billed.

RECOMMENDATION: We recommend that the Town reconcile gallons of water produced to gallons of water billed and evaluate the underlying cause for the unaccounted production.

STATUS: This finding is unresolved. See current year finding 2018-005.

2017-007 Police Ticket Books and Tickets not Maintained Properly

CONDITION: The Town does not account for all ticket books and tickets.

RECOMMENDATION: We recommend that the Town account for all ticket books and all tickets in books provided to its police officers to determine whether any citations issued were lost or voided.

STATUS: This finding is unresolved. See current year finding 2018-006.

B. Compliance-

2017-008 Garbage Service Charges

CONDITION: The service charge for garbage fees was not assessed in accordance with the Town's Code of Ordinances. On December 9, 2010, the Town adopted Ordinance No. 316, which amended Ordinance No. 305 and added a disposal fee for every household of \$3 per month and for every commercial establishment of \$5 per month. The Town failed to record the adjustment in its billing system for some new customers and old customers' accounts reactivated during the fiscal year.

Also, the Town entered into an agreement with a waste/garbage contractor on September 23, 2015. Certain customers were not assessed fees in accordance with the Town's agreement with the contractor.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

RECOMMENDATION: We recommend that the Town amend its utility billing system to comply with the provisions included in the Town's Code of Ordinances and implement policies and procedures to ensure that adjustments are added to the system for all customers.

STATUS: This finding is unresolved. See current year finding 2018-007.

2017-009 Local Government Budget Act

CONDITION: The Town incurred budget variances in excess of 5% in certain funds, and the total of amended expenditures in certain funds exceeded the total of estimated funds available for the fiscal year. The budgets also did not include a budget message, were not prepared in the proper format in accordance with RS 39:1305, and a notification to certify completion of the budget process was not published.

RECOMMENDATION: We recommend that the Town implement policies and procedures to comply with the Local Government Budget Act.

STATUS: This finding is unresolved. See current year finding 2018-008.

2017-010 Required Monthly Transfers

CONDITION: The Town did not make the required monthly transfers from the Utility Revenue Fund to the Utility Revenue Bond Sinking Fund.

RECOMMENDATION: We recommend that the Town make monthly transfers as required by bond requirements.

STATUS: This finding is unresolved. See current year finding 2018-009.

2017-011 Reserve Fund Requirements

CONDITION: The Town has not maintained a Utilities Revenue Bond Reserve Fund.

RECOMMENDATION: We recommend that the Town establish and maintain the required reserve fund.

STATUS: This finding is unresolved. See current year finding 2018-010.

2017-012 Contingency Fund Requirements

CONDITION: The Town has not maintained a Utilities System Capital Additions and Contingencies Fund.

RECOMMENDATION: We recommend that the Town establish and maintain the required contingency fund.

STATUS: This finding is unresolved. See current year finding 2018-011.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

2017-013 Obligation to Adjust Rates

CONDITION: The Town did not adjust utility rates to maintain the required revenues.

RECOMMENDATION: We recommend that the Town comply with the terms and conditions of its Utility Revenue Bonds Ordinances.

STATUS: This finding is unresolved. See current year finding 2018-012.

2017-014 Disconnecting Services

CONDITION: The Town does not disconnect services in accordance with its Utility Revenue Bond Ordinances.

RECOMMENDATION: We recommend that the Town shut off water and gas services to premises with a bill not paid within ten (10) days from the date on which it became delinquent.

STATUS: This finding has been resolved.

2017-015 Improper Use of Sales and Use Taxes

CONDITION: Support for the purpose of the use of sales proceeds could not be provided.

RECOMMENDATION: We recommend that the Town institute policies and procedures to ensure that support is maintained for all expenditures paid with sales and uses tax proceeds.

STATUS: This finding has been resolved.

2017-016 Failure to Publish Minutes

CONDITION: The Town did not publish minutes for its public meetings in the Town's official journal in a timely manner.

RECOMMENDATION: We recommend that the Town prepare written minutes for its open meetings and publish these minutes in its official journal within the time period prescribed by law, not exceeding twenty days, and make those minutes available as public records.

STATUS: This finding has been resolved.

2017-017 Failure to Maintain Workers' Compensation Insurance

CONDITION: The Town failed to pay workers' compensation insurance premiums in a timely manner, which resulted in the termination of the Town's insurance policy effective August 1, 2013.

RECOMMENDATION: We recommend that the Town implement policies and procedures to pay workers' compensation premiums in a timely manner to ensure continued coverage.

STATUS: This finding is resolved.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

2017-018 Failure to Properly Bill Water Service Charges

CONDITION: The Town failed to properly assess water fees in accordance with the Town's Code of Ordinances. On November 21, 2016, the Town amended section 1 of Ordinance 329 changing the base charge for the first 2,000 gallons of water usage from \$9 to \$13. The Town failed to properly charge for water fees. Customers with over 2,000 gallons of usage were improperly charged the \$9 base rate.

RECOMMENDATION: We recommend that the Town amend its utility billing system to comply with the provisions included in the Town's Code of Ordinances.

STATUS: This finding has been resolved.

2017-019 Late Audit Submission

CONDITION: The Town's audit report was not completed and submitted to the Office of the Legislative Auditor within six months of year end.

RECOMMENDATION: We recommend that the Town institute policies and procedures to ensure that its audit report is completed and submitted to the Office of the Legislative Auditor within six months of year end.

STATUS: This finding was only applicable to the year ended June 30, 2017.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

C. Management Letter-

2017-ML-1 Ordinance Book not Maintained

CONDITION: The ordinance book is neither complete nor up to date.

Louisiana Revised Statute (RS) 33:406(D)(1) states "The municipal clerk shall keep a book entitled "Ordinances, City (or Town, or Village) of" In which he shall file the original of every ordinance which has been adopted by the board immediately after its passage and attach a note to the ordinance stating the date of its enactment and a reference to the book and page of the board's minutes containing the record of its adoption."

RECOMMENDATION: We recommend that the Town maintain the Ordinance book in accordance with state statute.

STATUS: Reported to management in a separate letter dated December 31, 2018.

2017-ML-2 Employee Withholdings not Remitted Timely

CONDITION: The Town is not remitting amounts withheld from employee's compensation to the appropriate agencies in a timely manner.

RECOMMENDATION: We recommend the Town remit amounts withheld from employee's compensation to the appropriate agencies even if the Town is unable to pay the employer portion timely.

STATUS: This finding has been resolved.

2017-ML-3 Retirement Contributions not Remitted Timely

CONDITION: The Town does not always remit employer and employee contributions to the Municipal Employees' Retirement System of Louisiana in a timely manner.

RECOMMENDATION: We recommend the Town remit contributions payable to the Municipal Employees' Retirement System of Louisiana in a timely manner.

STATUS: This finding has been resolved.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

2017-ML-4 Cash Overdrafts and Penalties

CONDITION: The Town incurred overdraft fees totaling \$5,521.

RECOMMENDATION: We recommend that the Town implement policies and procedures to monitor cash balances daily to prevent overdrafts from occurring. The Town should also avoid late fees when feasible.

STATUS: This finding has been resolved.

2017-ML-5 Remittances of Ticket Collections to Other Agencies

CONDITION: Amounts owed to other agencies from the ticket collections are not remitted in a timely manner and amounts to be remitted are calculated using the number of tickets paid instead of the number of violations.

RECOMMENDATION: We recommend that the Town remit ticket collections payable to other entities in a timely manner and calculate the amounts to be remitted using the number of violations.

STATUS: Reported to management in a separate letter dated December 31, 2018.

2017-ML-6 Unpaid Tickets

CONDITION: A request for suspension of driver's license was not performed for some violators with unpaid tickets.

RECOMMENDATION: We recommend that the Town request the suspension of driver's licenses for violators with unpaid tickets.

STATUS: Reported to management in a separate letter dated December 31, 2018.

2017-ML-7 Uncollected Ad Valorem Taxes

CONDITION: The Town did not collect all ad valorem taxes levied for the tax year 2016 and did not attempt to seize and advertise for sale property related to the unpaid taxes.

RECOMMENDATION: We recommend that the Town implement policies and procedures to seize and advertise for sale the property on which the taxes are due.

STATUS: Reported to management in a separate letter dated December 31, 2018.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2018

2017-ML-8 Backing up of Computer Systems

CONDITION: The Town does not routinely back up its computer systems, which places the Town at risk of losing important records and financial information.

RECOMMENDATION: We recommend that the Town implement policies and procedures to ensure that all computer systems are backed up routinely.

STATUS: This finding has been resolved.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings
Year Ended June 30, 2018

Part I: Summary of Auditor's Results

Financial Statements

Unmodified opinions have been issued on the financial statements of the Town's governmental activities, business-type activities, each major fund (General Fund, 1% Sales Tax Fund, ¾% Sales Tax Fund, ½% Sales Tax Fund, and Utility Fund) and the aggregate remaining fund information.

Deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements and are shown as items 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, and 2018-006 in Part II. All of the conditions are considered to be material weaknesses.

The results of our tests disclosed instances of noncompliance which are required to be reported under *Government Auditing Standards* and are shown as items 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, and 2018-013 in Part II.

A management letter was issued.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

Part II: Findings Relating to an Audit in Accordance with *Governmental Auditing Standards*

A. Internal Control-

2018-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town's internal control over financial reporting includes those policies and procedures that pertain to the Town's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

2018-002–Material Financial Statement Adjustments

CONDITION: Misstatements in the financial statements were not prevented, nor detected and corrected by the Town’s internal control resulting in proposed audit adjustments material to the financial statements.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town’s internal control over financial reporting includes those policies and procedures that pertain to the Town’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

Such internal controls allow management to prevent or detect and correct misstatements on a timely basis.

CAUSE: The condition results from the failure to design and implement or follow implemented policies and procedures which provide assurance that the financial statements are not misstated.

EFFECT: Material audit adjustments were necessary to correct misstatements in the financial statements.

RECOMMENDATION: We recommend the Town design and implement policies and procedures or follow implemented policies and procedures which provide assurance to the fair presentation of the financial statements.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

2018-003- Reconciliation of Customer Deposits

CONDITION: The Town does not reconcile customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances. Also, customer deposits were not put into the Town's utility software in a timely manner.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town's internal control over financial reporting includes those policies and procedures that pertain to the Town's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

Also, reconciling customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances ensures proper accounting for all customer deposits.

CAUSE: The cause of this condition is a failure to reconcile customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances on a periodic basis.

EFFECT: Failure to reconcile customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances can cause the customer deposits payable to be misstated.

RECOMMENDATION: We recommend that the Town implement policies and procedures to ensure that customer water and gas meter deposit balances on its utility software are reconciled to the Town's accounting software and the related cash balances.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

2018-004- Net Position / Fund Balance Deficits

CONDITION: The Town has accumulated net position / unassigned fund balance deficits in its governmental activities, business-type activities, General Fund, Bond Sinking Fund, and Proprietary Fund totaling \$208,842, \$310,974, \$69,455, \$16,383, and \$310,974, respectively.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town’s internal control over financial reporting includes those policies and procedures that pertain to the Town’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of this condition is the incurrence of expenditures/expenses and liabilities greater than the revenues and/or net position/fund balance available.

EFFECT: The Town has net position / fund balance deficits.

RECOMMENDATION: We recommend the Town perform an evaluation of its financial status and seek additional revenue sources. We also recommend the Town evaluate its level of expenditure and services provided and reduce and/or eliminate expenditures and/or levels of service.

2018-005- Reconciliation of Gallons of Water Produced to Gallons of Water Billed

CONDITION: The Town only billed 51% of the water produced during the fiscal year, and the Town does not reconcile gallons of water produced and/or purchased to gallons of water billed.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town’s internal control over financial reporting includes those policies and procedures that pertain to the Town’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of this condition is the failure of the Town to reconcile gallons of water produced to gallons of water billed.

EFFECT: The Town has unaccounted production.

RECOMMENDATION: We recommend that the Town reconcile gallons of water produced to gallons of water billed and evaluate the underlying cause for the unaccounted production.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

2018-006- Police Ticket Books and Tickets not Maintained Properly

CONDITION: The Town does not account for all ticket books and tickets.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town’s internal control over financial reporting includes those policies and procedures that pertain to the Town’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of this condition is the failure of the Town to properly maintain ticket books and tickets.

EFFECT: The Town was not able to provide all ticket books and tickets.

RECOMMENDATION: We recommend that the Town account for all ticket books and all tickets in books provided to its police officers to determine whether any citations issued were lost or voided.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

B. Compliance-

2018-007 – Garbage Service Charges

CONDITION: The service charge for garbage fees was not assessed in accordance with the Town's Code of Ordinances. On December 9, 2010, the Town adopted Ordinance No. 316, which amended Ordinance No. 305 and added a disposal fee for every household of \$3 per month and for every commercial establishment of \$5 per month. The Town failed to record the adjustment in its billing system for some new customers and old customers' accounts reactivated during the fiscal year.

Also, the Town entered into an agreement with a waste/garbage contractor on September 23, 2015. Certain customers were not assessed fees in accordance with the Town's agreement with the contractor.

CRITERIA: Code of Ordinances, Ordinance No. 316, Town of Baldwin, Louisiana states the following:

“There shall be a monthly fee payable by each household and each commercial establishment for the disposal of solid waste. The disposal fee for every household shall be \$3.00 per month. The disposal fee for every commercial establishment shall be \$5.00 per month.”

Also, residential customers are assessed a fee of \$16.10 per residential unit per month as per the agreement between the Town and the contractor.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to ensure that adjustments are added to the system for all customers.

EFFECT: Failure to charge the correct fee per the Code of Ordinances and agreements results in a loss of revenues and noncompliance with the adopted ordinance.

RECOMMENDATION: We recommend that the Town amend its utility billing system to comply with the provisions included in the Town's Code of Ordinances and agreements and implement policies and procedures to ensure that adjustments are added to the system for all customers. We also recommend that the Town seek legal guidance related to the verbiage of its ordinances related to garbage service charges.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

2018-008– Local Government Budget Act

CONDITION: The Town incurred budget variances in excess of 5% in certain funds, and the total of amended expenditures in certain funds exceeded the total of estimated funds available for the fiscal year. The budgets also did not include a budget message as required by RS 39:1305 and, as required by RS 39:1307, a notification to certify completion of the budget process was not published. Additionally, the public hearing on the proposed budget was held less than 10 days from the date of publication of the call of the public hearing

CRITERIA: RS 39:1311 et seq, Budgetary Authority and Control, provides for the following:

“A. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer shall advise the governing authority or independently elected official in writing when:

- (1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.
- (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and beginning fund balance is being used to fund current expenditures.”

Also, RS 39:1310A, Amending the Budget, provides for the following:

“.....In no event shall a budget amendment be adopted proposing expenditures which exceed the total of estimated funds available for the fiscal year.”

Also, RS 39:1305(C)(1) provides that the budget document shall include “a budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and a discussion of the most important features.”

Further RS 39:1305(C)(2)(a) requires the document to include a “statement for the general fund and each special revenue fund showing the estimated fund balances at the beginning of the year; estimates of all receipts and revenues to be received; revenues itemized by source; recommended expenditures itemized by agency, department, function, and character; other financing sources and uses by source and use; and the estimated fund balance at the end of the fiscal year.” The statement is also required to include “a clearly presented side-by-side detailed comparison of such information for the current year, including the fund balances at the beginning of the year, year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year; estimated and actual revenues itemized by source; year-to-date actual expenditures and estimates of all expenditures to be

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

made the remainder of the year itemized by agency, department, function, and character; other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year; the year-to-date actual and estimated fund balances as of the end of the fiscal year; and the percentage change for each item of information.”

Also, RS 39:1307(A) notes that “Political subdivisions with total proposed expenditures of five hundred thousand dollars or more from the general fund and any special revenue funds in a fiscal year or other similar budgetary period shall afford the public an opportunity to participated in the budgetary process prior to adoption of the budget.” RS 39:1307(B) states that “upon completion of the proposed budget and, if applicable, its submission to the governing authority, the political subdivision shall cause to be published a notice stating that the proposed budget is available for public inspection. The notice shall state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice. The notice shall be published at least ten days prior to the date of the first public hearing.”

Also, RS 39:1307(D) states, “The political subdivision shall certify completion of all action required by this Section by publishing a notice in the same manner as is herein provided for the notice of availability of the proposed budget and public hearing.”

CAUSE: The condition results from a failure to comply the Louisiana Local Budget Act.

EFFECT: The Town may not be in compliance with certain provisions of RS 39:1301 et seq, the Local Government Budget Act.

RECOMMENDATION: We recommend that the Town implement policies and procedures to comply with the Local Government Budget Act.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

2018-009- Required Monthly Transfers

CONDITION: The Town did not make the required monthly transfers from the Utility Revenue Fund to the Utility Revenue Bond Sinking Fund.

CRITERIA: The ordinance authorizing the issuance of Utilities Revenue Bonds, Series 2001 requires the establishment and maintenance of a Utilities Revenue Bond Sinking Fund. The ordinance also requires a transfer from the Revenue Fund into the Sinking Fund monthly in advance on or before the twentieth (20th) day of each month of each year an amount equal to the principal, interest, and Administrative Fee accruing with respect to the Borrower Bonds for such calendar month, together with such additional proportionate sum as may be required to pay such principal, interest, and Administrative fee as the same respectively become due.

Also, RS 39:1410.62 states in part:

“All parishes, municipalities, and any other unit of local government, including but not limited to school boards and special districts, authorized by law to perform governmental functions, as well as any political subdivision creating same, shall notify the commission, in writing, whenever:

(1) Transfers to any funds required to be established by resolution authorizing the issuance of bonds, certificates of indebtedness, or otherwise authorizing the incurring of indebtedness, have not been made timely.”

CAUSE: The condition results from a failure to comply with bond ordinances and state statutes.

EFFECT: The Town is not in compliance with its bond ordinance and may be in violation of RS 39:1410.62.

RECOMMENDATION: We recommend that the Town make monthly transfers as required by bond requirements.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

2018-010- Reserve Fund Requirements

CONDITION: The Town has not maintained the required amount of funds in its Utilities Revenue Bond Reserve Fund.

CRITERIA: The ordinance authorizing the issuance of Utilities Revenue Bonds, Series 2001 requires the establishment and maintenance of a Utilities Revenue Bond Reserve Fund. A transfer is required from the Revenue Fund into the Reserve Fund monthly in advance on or before the twentieth (20th) day of each month of each year a sum equal to 25% of the amount required to be paid into the Sinking Fund.

CAUSE: The condition results from a failure to comply with bond ordinances.

EFFECT: The Town is not in compliance with its bond ordinance.

RECOMMENDATION: We recommend that the Town maintain the required reserve fund.

2018-011- Contingency Fund Requirements

CONDITION: The Town has not maintained the required amount of funds in its Utilities System Capital Additions and Contingencies Fund.

CRITERIA: The ordinance authorizing the issuance of Utilities Revenue Bonds, Series 2001 requires the establishment and maintenance of a Utilities System Capital Additions and Contingencies Fund (the "Depreciation and Contingencies Fund"), by transferring from the Revenue Fund to the Depreciation and Contingencies Fund monthly on or before the 20th day of each month of each year a sum of \$2,000, until such time as there has been accumulated in said Fund the sum of \$30,000. These funds may be used for the making of extensions, additions, improvements, renewals and replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. However, a balance of \$5,000 must be maintained for the making of emergency repairs or replacements.

CAUSE: The condition results from a failure to comply with bond ordinances.

EFFECT: The Town is not in compliance with its bond ordinance.

RECOMMENDATION: We recommend that the Town maintain the required contingency fund.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

2018-012- Obligation to Adjust Rates

CONDITION: The Town did not adjust utility rates to maintain the revenues required by its Bond Ordinance.

CRITERIA: The ordinance authorizing the issuance of Utilities Revenue Bonds, Series 2001 states in part:

“...establish and maintain rates and collect such fees... and to revise the same from time to time whenever necessary, as will always provide revenues in each year at least sufficient to pay (i) the necessary expenses of administering, operating and maintaining the System in such year, (ii) the principal and interest maturing on the Bonds payable there from in each year, (iii) all reserve or sinking funds or other payments required for such year by the Bond Ordinance, and (iv) all other obligations and indebtedness payable out of the income and revenues of the System during such year, and which will in any event provide revenues in each year, after paying all reasonable and necessary expenses of administering, operating and maintaining the System in such year, at least equal to 130% of the largest amount of principal and interest maturing on the Bonds herein authorized in any future Fiscal Year...’

CAUSE: The condition results from a failure to comply with bond ordinances.

EFFECT: The Town is not in compliance with its bond ordinance.

RECOMMENDATION: We recommend that the Town comply with the terms and conditions of its utility revenue bond ordinances.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

2018-013- Ethics Violation

CONDITION: The Town accepted payment for the sale of a surplus vehicle sold at public auction from the spouse of an employee of the Town. Additionally, the individual remitting payment and taking possession of the surplus was not the same individual recognized as the successful bidder. Further, the remuneration to acquire the vehicle was for an amount less than the successful bid.

CRITERIA: Section 1112(A) of the Louisiana Code of Governmental Ethics states that “no public servant shall participate in a transaction in which he has a personal substantial economic interest of which he may be reasonably expected to know involving the governmental entity.”

Further Section 1112(B) states “no public servant shall participate in a transaction involving the governmental entity in which, to his actual knowledge, any of the following persons has a substantial economic interest:

- (1) Any member of his immediate family.”

Further Section 1113 states that “no public servant shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.”

CAUSE: The condition results from a failure to comply with state ethics requirements.

EFFECT: The Town may not be in compliance with the Code of Governmental Ethics.

RECOMMENDATION: We recommend that the Town institute policies and procedures to ensure that transactions to which it is participant are in compliance with all ethics requirements of the State of Louisiana.

Part III: Findings and Questioned Costs Relating to Federal Programs

This section is not applicable for the year ended June 30, 2018.

CORRECTIVE ACTION PLAN FOR CURRENT AUDIT FINDINGS

APPENDIX A

Town Clerk
Tammy Richard
Town Attorney
Joseph Tabb
Chief of Police
Harry Smith



Aldermen/Aldercomen
Herbert "H.B." Bell
Margaret Coleman
Donald Grimm
Gene St. Germain
Clarence Vappie

Town of Baldwin
Response to Audit FYE: 2018

December 27, 2018

Attn: Mr. Gerald A. Thibodeaux Jr., CPA
c/o Kolder, Champagne, Slaven & Company, LLC.
1234 David Drive, Suite #203
Morgan City, Louisiana 70380

RE: Town Management Response to Audit, Fiscal Year: 2018

Dear Mr. Thibodeaux,

The Town of Baldwin corrective action plan and implement to the 2017 Audit year corrections went through the positions of three different clerks in the 2018 Audit year.

The following response is relative to the two sections of the audit report FYE 2018 entitled:

- **Internal Control** (6 items to be addressed)
- **Compliance** (7 items to be addressed)

Sincerely,

A handwritten signature in cursive script that reads "Donna Lewis Lanceslin".

Mayor Town of Baldwin

Response Regarding: Internal Control

2018-001 - Segregation of Duties

Findings:

Accounting and financial functions are not adequately segregated.

Response:

The Mayor and Board find it of the utmost importance that we establish the segregation of incompatible duties, and do so with expediency. This will insure that no one individual, henceforth, will find themselves in a position that allows them to knowingly commit an indiscretion and then knowingly conceal that indiscretion. We have reviewed our present organizational structure and are identifying any and all job responsibilities that may be incompatible at the present time. We have made some changes with double signatures with balancing cash drawers on a daily basis for checks and balances. And will continue working on segregating job duties and our new employee handbook to insure that adequate checks and balances persistently occur. If, for whatever reason, the segregation of certain job-related functions is not possible, then other internal controls will be implemented in accordance with the previously stated, to remain in compliance with State and Federal Law.

2018-002 - Material Financial Statement Adjustments

Findings:

Misstatements in the financial statements were not prevented, nor detected and corrected by the Town's internal control resulting in proposed audit adjustments material to the financial statements.

Response:

We have made significant progress by taking a larger hand by adjusting the books during the closing of the fiscal yearend in house by reducing the number of adjustments that were previously made in future audits. We have done, separate cash bookkeeping, bank reconciliation and check signer functions - for accountability, require monthly reconciliation of bank accounts for management and board review at finance meetings once a month, review and authorization of expense reimbursements by management/supervisors in a timely fashion as stated in the 2017 audit for implementation. We will be working closely with the auditors to rectify as many adjustments as possible for future audits.

2018-003 - Reconciliation of Customer Deposits

Findings:

The Town does not reconcile customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances. Also, customer deposits were not put into the Town's utility software in a timely manner.

Response:

We will be working with CSDC Utility Billing Software to build a daily export report from CSDC to import to Sage100 accounting software to cut out the manual entry into the accounting program, which will posts the deposits in a timely manner.

2018-004 - Net Position/Fund Balance Deficits

Findings:

The Town has accumulated net position/unassigned fund balance deficits in its governmental activities, business-type activities, General Fund, Bond Sinking Fund, and Proprietary Fund totaling \$221,404, \$310,974, \$82,017, \$16,383, and \$310,974, respectively.

Response:

Working closely with Tammy Richard of ASC the Town has made great stride in reducing the Deficits in this fiscal year by having a monthly finance meeting to go over the finances and budget. We are purchasing water from Water District 4 at a direct cost rate and we are working on renegotiating the water rate purchase from them to try and eliminate some of the Water deficit.

2018-005 - Reconciliation of Gallons of Water Produced to Gallons of Water Billed

Findings:

The Town only billed 40% of the water produced during the fiscal year, and the Town does not reconcile gallons of water produced and/or purchased to gallons of water billed.

Response:

We are keeping a spreadsheet to compute gallons of water produced to gallons of water billed by the month. We have been in contact with LRWA to do research and testing on our water lines. We have received grants funding to assist with the repair of water lines and changing out broken water meters.

2018-006- Police Ticket Books and Tickets not Maintained Properly

Findings:

The Town does not account for all ticket books and tickets.

Response:

The police department purchased a computer software program called Quick PD to capture all of the tickets that are written and paid starting July 2018. The old tickets that were manually reported before Quick PD was put into Quick PD system as of when they are paid starting from July 2018 as a lump sum even if some of the payments were before July 2018, which is not correct. We are working on a plan to rectify the process to balance the subsidiary to the general ledger cash account and for reporting purposes to the correct entities. This should help with accounting for all ticket books and tickets with numeric numbers and balancing.

Response Regarding: Compliance

2017-007 - Garbage Service Charges

Findings:

The service charge for garbage fees was not assessed in accordance with the Town's Code of Ordinances. On December 9, 2010, the Town adopted Ordinance No. 316, which amended Ordinance No. 305 and added a disposal fee for every household of \$3.00 per month and for every commercial establishment of \$5.00 per month. The Town failed to record the adjustment in its billing system for some new customers and old customer's accounts reactivated during the fiscal year.

Also, the Town entered into an agreement with a waste/garbage contractor on September 23, 2015. Certain customers were not assessed fees in accordance with the Town's agreement with the contractor.

Response:

Our clerk at the time, tried to fix the service charge for the garbage fees in CSDC, but did not do it correctly. In July of 2018 when Tammy Richard came back, after terminating the other clerk, she found the error. Tammy Richard called CSDC to find out how to fix the error. CSDC looked back at their notes and found that a recurring charge was setup for charging the \$3.00 and \$5.00 per month for the garbage disposal fees, but it has to be maintained by whoever is putting the new customer into the CSDC utility billing system for active utilities accounts when setting up service accounts. The charges are now being done as of July 2018.

2017-008 - Local Government Budget Act

Findings:

The Town incurred budget variances in excess of 5% in certain funds, and the total of amended expenditures in certain funds exceed the total of estimated funds available for the fiscal year. The budgets also did not include a budget message as required by RS 39: 1305, and a notification to certify completion of the budget process was not published. Additionally, the public hearing on the proposed budget was held less than 10 days from the date of publication of the call of the public hearing.

Response:

The Mayor and Board members will exercise due diligence in making sure that we are in compliance with *RS 39:1305 - Louisiana State Legislature Budget Preparation*. In accordance with the requirements, we will ensure that:

- Tammy Richard with ASC presented monthly and year to date budgets with actual comparison and variances. The transfer outs in each department added to the expenses made the 5% out of variance. In the future, it will be looked at to monitor the variance. Also public hearing on the proposed budget will be posted 10 days from the date of publication of the call of the public hearing and the budget message will be done.

2018-009 - Required Monthly Transfers

Findings:

The Town did not make the required monthly transfers from the Utility Revenue Fund to the Utility Revenue Bond Sinking Fund.

Response:

As of July 2018, the required monthly transfers are being done on a monthly basis by the 20th of the month. The balance in the account as of December 31, 2018 is \$39,157.62.

2018-010 - Reserve Fund Requirements

Findings:

The Town has not maintained the required amount of funds in its Utilities Revenue Bond Reserve Fund.

Response:

As of July 2018, the required monthly transfers are being done on a monthly basis by the 20th of the month. The balance in the account as of December 31, 2018 is \$11,650.02.

2018-011 - Contingency Fund Requirements

Findings:

The Town has not maintained the required amount of funds in its Utilities System Capital Additions and Contingencies Fund.

Response:

As of July 2018, the required monthly transfers are being done on a monthly basis by the 20th of the month. The balance in the account as of December 31, 2018 is \$18,113.40.

2018-012 - Obligation to Adjust Rates

Findings:

The Town did not adjust utility rates to maintain the revenues required by its Bond Ordinances.

Response:

Because of our water plant being down, the purchase of water from Water District #4 is substantially making adjusting the rate out of scope. We are in the process of renegotiating the water rate purchase from Water District 4 to try and eliminate the high cost of Water purchase.

2018-013 - Ethics Violation

Findings:

The Police Department accepted payment for the sale of a surplus vehicle sold at public auction from the spouse of an employee of the Police Department. Additionally, the individual remitting payment and taking possession of the surplus was not the same individual recognized as the successful bidder. Further, the remuneration to acquire the vehicle was for an amount less than the successful bid.

Response:

Internal policies were not observed by the Police Department personnel.

cc: Town Board, Town Clerk & Town Attorney

Town of Baldwin

Statewide Agreed-Upon Procedures

Fiscal period July 1, 2017 through June 30, 2018

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
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Matthew E. Margaglio, CPA
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES TO CONTROL AND COMPLIANCE AREAS IDENTIFIED BY THE LOUISIANA LEGISLATIVE AUDITOR

The Honorable Donna Lewis Lanceslin, Mayor
and Members of the Board of Aldermen
Town of Baldwin, Louisiana

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

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 exceptions are as follows:

Written Policies and Procedures

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

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

Written policies and procedures were obtained and 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.

The Town does not have any written policies and procedures that address the functions noted above.

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

The Town does not have any written policies and procedures that address the functions noted above.

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

The Town does not have any written policies and procedures that address 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 and procedures were obtained and address the functions noted above with the exception of (2) reviewing and approving time and attendance records, including leave.

- 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 does not have any written policies and procedures that 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Written policies and procedures were obtained and address the functions noted above.

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

The Town does not have any written policies and procedures that address the functions noted above.

- 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 Town's ethics policy.

The Town does not have any written policies and procedures that address the functions noted above.

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

The Town does not have any written policies and procedures that address the functions noted above.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent documents.

Obtained and reviewed minutes of the board for the fiscal period noting that the board met with a quorum at least monthly.

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

Observed that the minutes referenced budget to actual comparisons for all funds for which a budget was adopted.

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

Obtained the prior year audit report noting a negative ending unrestricted fund balance in the general fund. Minutes did not reference or include a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

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

Obtained a listing of client bank accounts for the fiscal period and management's representation that the listing is complete. Management identified the Town's main operating account and four (4) additional accounts were randomly selected.

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

Observed that four (4) of the selected accounts included evidence that the bank reconciliations were prepared within two (2) months of the related statement closing date. A bank reconciliation was not prepared for one (1) of the accounts selected due to inactivity.

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

Observed that bank reconciliations for the selected accounts were performed by a member of management. Reconciliations did not evidence additional review.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Observed that four (4) of the selected accounts had outstanding items greater than 12 months. Documentation reflecting research of these items could not be obtained.

Collections

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

Obtained a listing of deposit sites and management's representation that the listing is complete. Selected the one (1) deposit site.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site, obtain and inspect written policies and procedures relating to employee job duties at each collection location, and observe that job duties are properly segregated at each collection location such that:

Obtained a listing of collection locations for the one (1) deposit site and management's representation that the listing is complete. Selected the one (1) collection location.

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

No exceptions noted.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. prenumbered receipts) to the deposit.

Employees responsible for collecting cash also prepare and make bank deposits. However, another employee is responsible for reconciling collections to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Employees responsible for collecting cash also post collection entries to the general ledger. However, another employee is responsible for reconciling ledger postings to each other and to the deposit.

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

Employees responsible for reconciling cash collections to the general ledger are responsible for collecting cash. However, another employee verifies the reconciliation.

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

As per inquiry of management, all employees who are responsible for collecting cash are bonded.

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

Randomly selected two (2) deposit dates for the five (5) bank accounts selected under procedures #3.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

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

Obtained a listing of locations that process payments and management's representation that the listing is complete. Selected the one (1) location.

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

Obtained a listing of those employees involved with non-payroll purchasing and payment functions. Inquired of employees about their job duties.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

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

Obtained the Town's disbursement transaction population and excluded cards, travel reimbursements and payroll.

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

Original invoice/billing statement could not be obtained for one (1) of the selected disbursements.

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

Segregation of duties not evidenced on disbursement documentation for two (2) of the disbursements selected.

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

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

Obtained 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 and management's representation that the listing is complete.

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

Randomly selected five (5) cards used during the fiscal period and one monthly statement for each card selected. Obtained supporting documentation.

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

Monthly statements selected for testing did not evidence review and approval, in writing, by someone other than the authorized cardholder.

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

Finance charges and/or late fees were observed on one of the selected statements.

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

All of the statements selected under procedures #12 were fuel cards. Therefore, procedures were not performed.

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

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

Obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing is complete. Selected all four (4) of the reimbursements and obtained supporting documentation.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

Observed that three (3) of the reimbursements tested did not evidence review and approval, in writing, by someone other than the person receiving reimbursement.

Contracts

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

Obtained from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period and management's representation that the listing is complete. Selected all three (3) of the contracts.

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

Observed that the contracts selected for testing were for professional services not subject to the requirements of the Public Bid Law. Written documentation to support that the entity solicited quotes as best practice could not be obtained.

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

No exception noted.

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

Selected contracts did not include any amendments.

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

No exceptions noted.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected five (5) employees/officials noting authorized salaries/pay rates were not documented in four (4) of the personnel files.

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

Randomly selected one pay period during the fiscal period and obtained attendance records and leave documentation for the pay period.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly selected two employees/officials and obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreeing the hours to the employee/officials' cumulative leave records. Personnel files did not include authorized pay rates.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, and health insurance premiums, and associated forms, have been filed by required deadlines. The Town does not maintain a worker's compensation policy.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

Obtained ethics documentation for the five (5) employees selected under procedures #16.

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

Observed that documentation demonstrating completion of one hour of ethics training during the fiscal period could not be obtained for four (4) of the selected employees.

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

Not applicable—The Town does not have an ethics policy.

Debt Service (excluding nonprofits)

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

Management asserted that no bonds/notes were issued during the fiscal period.

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

Obtained a listing of bond/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly selected one (1) bond/note and inspected debt covenants noting that reserve balances are not required. Agreed actual payments to those required by the debt covenants.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the Town reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Town is domiciled.

Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected the one (1) misappropriation identified observing that the Town reported the misappropriation to the legislative auditor and the district attorney of the parish of St. Mary.

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

Observed that the Town has posted on its premises the notice required by R.S. 24:523.1. The Town does not maintain an official website.

Management's Response

The management of the Town of Baldwin concurs with the exceptions and are working to address the deficiencies identified.

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

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion or conclusion on control or compliance. This report is intended solely for use by the Town's management and the LLA. Accordingly, this report is not suitable for any other purpose and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 31, 2018

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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WWW.KCSRPCAS.COM

MANAGEMENT LETTER

The Honorable Donna Lewis Lanceslin, Mayor
and Members of the Board of Aldermen
Town of Baldwin, Louisiana

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Baldwin (hereinafter "Town") as of and for the year ended June 30, 2018 and have issued our report thereon dated December 31, 2018.

In planning and performing our audit of the financial statements of the Town, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control or on its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control or on compliance.

During our audit we noted certain matters involving internal control or compliance that is summarized below for your consideration. These comments and the related recommendations are intended to improve the Town's internal control and its compliance with laws, regulations, contracts, and grant agreements and other matters. Our comments are not intended to reflect upon the ability or integrity of the Town's personnel

2018-ML-1 Ordinance Book not Maintained

The ordinance book is neither complete nor up to date.

Louisiana Revised Statute (RS) 33:406(D)(1) states "The municipal clerk shall keep a book entitled "Ordinances, City (or Town, or Village) of" In which he shall file the original of every ordinance which has been adopted by the board immediately after its passage and attach a note to the ordinance stating the date of its enactment and a reference to the book and page of the board's minutes containing the record of its adoption."

We recommend that the Town maintain the Ordinance book in accordance with state statute.

2018-ML-2 Remittances of Ticket Collections to Other Agencies

Amounts owed to other agencies from the ticket collections are not remitted in a timely manner, and amounts to be remitted are calculated using the number of tickets paid instead of the number of violations.

We recommend that the Town remit ticket collections payable to other entities in a timely manner and calculate the amounts to be remitted using the number of violations.

2018-ML-3 Unpaid Tickets

A request for suspension of driver's license was not performed for some violators with unpaid tickets.

We recommend that the Town request the suspension of driver's licenses for violators with unpaid tickets.

2018-ML-4 Uncollected Ad Valorem Taxes

The Town did not collect all ad valorem taxes levied for the tax year 2016 and did not attempt to seize and advertise for sale property related to the unpaid taxes.

We recommend that the Town implement policies and procedures to seize and advertise for sale the property on which the taxes are due.

2018-ML-5 Reconciliation of CSDC to MAS 90

The Town does not reconcile CSDC utility billings software to MAS 90 software.

We recommend that the Town reconcile these two programs and investigate any differences.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not identify all weaknesses in policies and procedures or incidents of noncompliance that may exist. We aim, however, to use our knowledge of the Town's operations gained during our work to make comments and suggestions that we hope will be useful to you.

This report is intended solely for the information and use of the Town's management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

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

KOLDER, SLAVEN & COMPANY, LLC
Certified Public Accountants

Morgan City, Louisiana
December 31, 2018

Town Clerk
Tammy Richard
Town Attorney
Joseph Tabb
Chief of Police
Harry Smith



Aldermen/Alderswomen
Herbert "H.B." Bell
Margaret Coleman
Donald Grimm
Gene St. Germain
Clarence Vappie

Town of Baldwin

December 28, 2018

Attn: Mr. Gerald A. Thibodeaux Jr., CPA
c/o Kolder, Champagne, Slaven & Company, LLC.
1234 David Drive, Suite #203
Morgan City, Louisiana 70380

RE: Town Management Response to Audit, Fiscal Year: 2018

Dear Mr. Thibodeaux,

Enclosed are our Management Responses that were requested by you. We are making great progress in reducing our Management findings. We have reduced our Management findings from twelve to five from fiscal year 2017 to 2018.

The incoming Mayor and I have been working diligently towards making the necessary corrective actions across the board. We are persistently striving to make the Town of Baldwin a more functional municipality.

Sincerely,

Mayor Donna Lewis Lanceslin
Town of Baldwin

Town of Baldwin

Mayor Donna Lewis Lanceslin

P.O. Box 800 | Baldwin, Louisiana 70514 | Phone: 337-923-7523 | Fax: 337-923-7524

Response Regarding: Internal Control

2018-ML-1 – Ordinance Book not Maintained

Findings:

The ordinance book is neither complete nor up to date.

Louisiana Revised Statute (RS) 33:406(D)(1) states “The municipal clerk shall keep a book entitled “Ordinance, City (or Town, or Village) of” In which he shall file the original of every ordinance which has been adopted by the board immediately after its passage and attach a note to the ordinance stating the date of its enactment and a reference to the book and page of the board’s minutes containing the record of its adoption.”

We recommend that the Town maintain the Ordinance book in accordance with state statute.

Response:

During this fiscal year the Town has been through three clerks. We are aware of the problem and the current clerk is working diligently to rectify the problem.

2018-ML-2 – Remittance of Ticket Collections to Other Agencies

Findings:

Amounts owed to other agencies from the ticket collections are not remitted in a timely manner, and amounts to be remitted are calculated using the number of tickets paid instead of the number of violations.

We recommend that the Town remit ticket collections payable to other entities in a timely manner and calculate the amounts to be remitted using the number of violations.

Response:

The police department purchased a computer software program called Quick PD to capture all of the tickets that are written. Tickets can be entered on a daily basis and reports can be printed as soon as they are entered. This will help with processing the reports in a timely manner by the number of violations, not by paid tickets.

2018-ML-3 – Unpaid Tickets

Findings:

A request for suspension of driver’s license was not performed for some violators with unpaid tickets.

We recommend that the Town request the suspension of driver’s licenses for violators with unpaid tickets.

Response:

The police department purchased a computer software program called Quick PD to capture all of the tickets that are written. Violators are given a court date when citations are issued. Failure to appear on required court date will result in a bench warrant being issued and a suspension of driver’s license. The new software affords us the opportunity to keep accurate records in real time.

2018-ML-4 – Uncollected Ad Valorem Taxes

Findings:

The Town did not collect all ad valorem taxes levied for the tax year 2017 and did not attempt to seize and advertise for sale property related to the unpaid taxes.

We recommend that the Town implement policies and procedures to seize and advertise for sale of the property on which the taxes are due.

Response:

The new clerk found out at the LMCA annual conference that there are several collection programs that are providing this service. She is researching those options and we hope to make a decision in the 2019 fiscal year to hire a collector.

2018-ML-5 – Reconciliation of CSDC to MAS90

Findings:

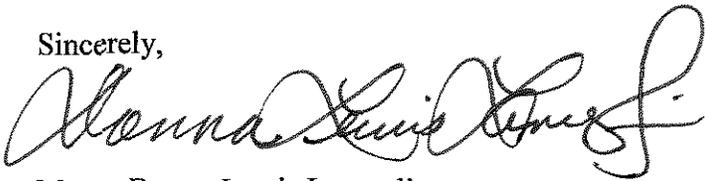
The Town does not reconcile CSDC utility billing software to MAS90 software.

We recommend that the Town reconcile these two programs and investigate any differences.

Response:

We are working with CSDC Utility billing Software to build a daily export from CSDC to import to Sage100 accounting software to cut out the manual entry into the accounting program. This integration will eliminate the differences.

Sincerely,



Mayor Donna Lewis Lanceslin
Town of Baldwin

cc: Town Board, Town Clerk & Town Attorney