

# **Town of Evergreen**

Annual Financial Statements  
**As of and for the Year Ended**  
**June 30, 2018**

***DUCOTE & COMPANY***

**Certified Public Accountants**

*219 North Washington Street*

*P. O. Box 309*

*Marksville, LA 71351*

**TOWN OF EVERGREEN  
EVERGREEN, LOUISIANA  
June 30, 2018**

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## INDEPENDENT AUDITORS' REPORT

The Honorable John Armand, Mayor  
And Members of the Board of Aldermen  
Town of Evergreen, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, of each major fund of the Town of Evergreen, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises 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.

### **Auditors' 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 statements are free of material misstatement.

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

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

## Opinions

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

## Other Matters

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis. Information that is required to be presented for purposes of additional analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule-General Fund and the Schedule of Compensation, Benefits and Other Payments to Agency Heads on pages 29 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the representation of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the Town of Evergreen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grand 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 of Evergreen's internal control over financial reporting and compliance.

DUCOTE & COMPANY

Marksville, Louisiana  
December 14, 2018

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Town of Evergreen  
Statement of Net Position  
June 30, 2018**

**Exhibit A**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 15,842	\$ 293,313	\$ 309,155
Investments	12,147	135,350	147,497
Receivables	1,946	46,920	48,866
Internal balances	27,140	(27,140)	-
Restricted cash and cash equivalents	-	33,532	33,532
Restricted investments	-	4,019	4,019
Capital assets, net of depreciation	-	-	-
Nondepreciable	-	-	-
Land and construction in progress	-	9,765	9,765
Depreciable	-	-	-
Other capital assets, net of depreciation	77,836	2,307,033	2,384,869
Total Assets	<u>134,911</u>	<u>2,802,792</u>	<u>2,937,703</u>
<b>Liabilities</b>			
Accounts payable	7,300	24,912	32,212
Accrued expenses and other payables	3,408	-	3,408
Long-term liabilities			
Due within one year	-	-	-
Due in more than one year	-	37,143	37,143
Total Liabilities	<u>10,708</u>	<u>62,055</u>	<u>72,763</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	77,836	2,316,798	2,394,634
Unrestricted	46,369	423,938	470,307
<b>Total Net Position</b>	<u>\$ 124,205</u>	<u>\$ 2,740,736</u>	<u>\$ 2,864,941</u>

The accompanying notes are an integral part of this financial statement.

**Town of Evergreen, Louisiana**  
**Statement of Activities**  
**Year Ended June 30, 2018**

**Exhibit B**

	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Functions/Programs</b>							
<b>Governmental Activities</b>							
General government	\$ 89,474	\$ 21,208	\$ -	\$ -	\$ (68,266)	\$ -	\$ (68,266)
Public safety	10,956	17,078	-	-	6,122	-	6,122
Total Governmental Activities	<u>100,430</u>	<u>38,286</u>	<u>-</u>	<u>-</u>	<u>(62,144)</u>	<u>-</u>	<u>(62,144)</u>
<b>Business-type Activities</b>							
Water	396,453	277,480	-	650,675	-	531,702	531,702
Sewer	66,774	25,643	-	-	-	(41,131)	(41,131)
Total Business-type Activities	<u>463,227</u>	<u>303,123</u>	<u>-</u>	<u>650,675</u>	<u>-</u>	<u>490,571</u>	<u>490,571</u>
<b>Total</b>	<u>\$ 563,657</u>	<u>\$ 341,409</u>	<u>\$ -</u>	<u>\$ 650,675</u>	<u>(62,144)</u>	<u>490,571</u>	<u>428,427</u>
<b>General Revenues</b>							
<b>Taxes</b>							
Ad valorem taxes					6,629	-	6,629
Franchise and miscellaneous taxes					9,731	-	9,731
Investment earnings					62	607	669
Miscellaneous					413	-	413
<b>Transfers</b>					18,000	(18,000)	-
Total General Revenues and Transfers					<u>34,835</u>	<u>(17,393)</u>	<u>17,442</u>
<b>Change in Net Position</b>					(27,310)	473,178	445,868
<b>Net Position, Beginning of Year</b>					<u>151,515</u>	<u>2,267,557</u>	<u>2,419,072</u>
<b>Net Position, End of Year</b>					<u>\$ 124,205</u>	<u>\$ 2,740,736</u>	<u>\$ 2,864,941</u>

The accompanying notes are an integral part of this financial statement.

**FUND FINANCIAL STATEMENTS**

**Town of Evergreen  
Balance Sheet  
Governmental Funds  
June 30, 2018**

**Exhibit C**

**General  
Fund**

**Assets**

Cash and cash equivalents	\$	15,842
Investments		12,147
Receivables		1,946
Due from other funds		27,140
		27,140

**Total Assets**

**\$ 57,076**

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	\$	7,300
Accrued expenses and other payables		3,408
Total Liabilities		10,707

**Fund Balance**

Unassigned		46,369
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**Total Liabilities and Fund Balance**

**\$ 57,076**

**The accompanying notes are an integral part of this financial statement.**

**Town of Evergreen  
 Reconciliation of the Governmental Funds Balance Sheet to  
 the Statement of Net Position  
 6/30/2018**

**Exhibit D**

**Fund Balance - Governmental Funds** \$ 46,369

**Amounts reported for governmental activities in the Statement of  
 Net Position are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in Governmental Funds.

Cost of capital assets	455,620	
Less - accumulated depreciation	<u>(377,784)</u>	<u>77,836</u>

**Total net position of governmental activities at June 30, 2018** **\$ 124,205**

**The accompanying notes are an integral part of this financial statement.**

**Town of Evergreen**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**June 30, 2018**

**Exhibit E**

**General  
Fund**

<b>Revenues</b>	
Taxes	\$ 16,360
Intergovernmental	-
Licenses and permits	13,708
Investment earnings	62
Grant contributions	-
Police Fines	17,078
Other	7,913
Total Revenues	55,120
<b>Expenditures</b>	
Current	
General government	73,572
Public safety	10,956
Capital outlay	8,399
Total Expenditures	92,927
<b>Excess of Revenues over Expenditures</b>	(37,807)
<b>Other Financing Sources (Uses)</b>	
Transfers in	18,000
Total Other Financing Sources (Uses)	18,000
<b>Net Change in Fund Balance</b>	(19,807)
<b>Fund Balance, Beginning of Year</b>	66,176
<b>Fund Balance, End of Year</b>	\$ 46,369

**The accompanying notes are an integral part of this financial statement.**

**Town of Evergreen  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures, and Changes in Fund Balance to the  
 Statement of Activities  
 June 30, 2018**

**Exhibit F**

**Net Change in Fund Balance - Governmental Funds** **\$ (19,807)**

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

Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the period.

Capital outlays reported in the funds	8,399	
Less - depreciation reported in the Statement of Activities	<u>(15,902)</u>	<u>(7,503)</u>

**Total change in net position at June 30, 2018 per Statement of Activities** **\$ (27,310)**

**The accompanying notes are an integral part of this financial statement.**

**Town of Evergreen  
Statement of Net Position  
Proprietary Funds  
June 30, 2018**

**Exhibit G**

	<b>Enterprise Funds</b>		<b>Total</b>
	<b>Water System Fund</b>	<b>Sewer System Fund</b>	
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 253,331	\$ 40,389	\$ 293,720
Investments	135,350	-	135,350
Receivables	43,105	3,815	46,920
Due from other funds	15,783	-	15,783
Total Current Assets	<u>447,569</u>	<u>44,204</u>	<u>491,773</u>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	33,124	-	33,124
Restricted investments	4,019	-	4,019
<b>Capital assets</b>			
Property, plant, and equipment	3,163,055	1,680,705	4,843,760
Less-accumulated depreciation	<u>(1,735,085)</u>	<u>(791,877)</u>	<u>(2,526,962)</u>
Total Noncurrent Assets	<u>1,465,113</u>	<u>888,828</u>	<u>2,353,941</u>
Total Assets	<u>1,912,682</u>	<u>933,032</u>	<u>2,845,714</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	19,067	5,845	24,912
Due to other funds	20,187	22,736	42,923
Total Current Liabilities	<u>39,254</u>	<u>28,581</u>	<u>67,835</u>
<b>Noncurrent Liabilities</b>			
<b>Liabilities payable from restricted assets</b>			
Customer guaranteed deposits	37,143	-	37,143
Total Noncurrent Liabilities	<u>37,143</u>	<u>-</u>	<u>37,143</u>
Total Liabilities	<u>76,397</u>	<u>28,581</u>	<u>104,978</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	1,427,970	888,828	2,316,798
Unrestricted	<u>408,315</u>	<u>15,623</u>	<u>423,938</u>
Total Net Position	<u>\$ 1,836,285</u>	<u>\$ 904,451</u>	<u>\$ 2,740,736</u>

The accompanying notes are an integral part of this financial statement.

**Town of Evergreen**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**June 30, 2018**

Exhibit H

	Enterprise Funds		Total
	Water System Fund	Sewer System Fund	
<b>Operating Revenues</b>			
Charges for services	\$ 277,480	\$ 25,643	\$ 303,123
Total Operating Revenues	277,480	25,643	303,123
<b>Operating Expenses</b>			
Salaries, wages, and payroll taxes	98,861	646	99,507
Legal and other professional	87,353	5,520	92,873
Chemicals and supplies	18,346	3,344	21,690
Repairs and maintenance	26,539	11,223	37,762
Insurance	28,277	-	28,277
Utilities and telephone	25,908	9,871	35,779
Depreciation	97,121	36,106	133,227
Office expense	4,543	53	4,596
Dues and subscriptions	1,351	-	1,351
Vehicle expense	7,367	-	7,367
Other expenses	788	10	798
Total Operating Expenses	396,454	66,773	463,227
<b>Operating Income (Loss)</b>	(118,974)	(41,130)	(160,104)
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	607	-	607
Total Nonoperating Revenues (Expenses)	607	-	607
<b>Loss Before Contributions and Transfers</b>	(118,367)	(41,130)	(159,497)
<b>Capital Contributions</b>			
Capital Grants	650,675	-	650,675
<b>Transfers In (Out)</b>	(18,000)	-	(18,000)
<b>Change in Net Position</b>	514,308	(41,130)	473,178
<b>Net Position, Beginning of Year</b>	1,321,978	945,582	2,267,560
<b>Net Position, End of Year</b>	\$ 1,836,285	\$ 904,451	\$ 2,740,736

The accompanying notes are an integral part of this financial statement.

**Town of Evergreen  
Statement of Cash Flows  
Proprietary Funds  
June 30, 2018**

**Exhibit I  
(Continued)**

	<b>Enterprise Funds</b>		
	<b>Water System Fund</b>	<b>Sewer System Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 272,607	\$ 25,522	\$ 298,129
Internal activity - payments to other funds	-	-	-
Payments to vendors and others	(187,929)	(25,981)	(213,910)
Payments to employees	(98,861)	(646)	(99,507)
Net Cash (Used in) Provided by Operating Activities	(14,183)	(1,105)	(15,288)
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers to other funds	(18,000)	-	(18,000)
Increase/decrease in due to/due from accounts	(2,547)	-	(2,547)
Net Cash Used in Noncapital Financing Activities	(20,547)	-	(20,547)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal paid on revenue bonds	-	-	-
Interest paid on revenue bonds	-	-	-
Purchase of capital assets	(635,963)	-	(635,963)
Net Cash Used in Capital and Related Financing Activities	(635,963)	-	(635,963)
<b>Cash Flows from Investing Activities</b>			
Grant Revenue	650,675	-	650,675
Interest received on operating funds	607	-	607
Miscellaneous income	-	-	-
Purchase/Liquidation of investments	(554)	-	(554)
Net Cash (Used in) Provided by Investing Activities	650,728	-	650,728
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(19,965)	(1,105)	(21,070)
<b>Cash and Cash Equivalents, Beginning of Year</b>	306,420	41,493	347,913
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 286,455</u>	<u>\$ 40,389</u>	<u>\$ 326,842</u>

The accompanying notes are an integral part of this financial statement.

**Town of Evergreen  
Statement of Cash Flows  
Proprietary Funds  
June 30, 2018**

**Exhibit I  
(Concluded)**

	<b>Enterprise Funds</b>		
	<b>Water System Fund</b>	<b>Sewer System Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$ (741,307)	\$ (41,130)	\$ (782,437)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	97,121	36,106	133,227
Changes in assets and liabilities			
Receivables	(4,873)	(121)	(4,994)
Accounts payable	8,455	4,040	12,495
Accrued expenses	-	-	-
Customer guaranteed deposits	4,088	-	4,088
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>\$ (636,516)</b>	<b>\$ (1,105)</b>	<b>\$ (637,621)</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>			
Cash and cash equivalents	\$ 253,331	\$ 39,981	\$ 293,312
Restricted cash and cash equivalents	33,124	408	33,532
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 286,455</b>	<b>\$ 40,389</b>	<b>\$ 326,844</b>

**Additional required disclosure:**

There were no material noncash operating, noncapital financing, or capital and related financing activities.

**The accompanying notes are an integral part of this financial statement.**

**NOTES TO FINANCIAL STATEMENTS**

**Town of Evergreen, Louisiana**  
**June 30, 2018**

**Notes to Financial Statements**

**1. Organization and Significant Accounting Policies**

The Town of Evergreen, Louisiana, (Town) was incorporated under the provisions of the State of Louisiana Legislative Act 61, signed and dated April 23, 1872. The Town is governed by its Mayor and a Board of Aldermen consisting of five members.

The accompanying financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GAAP includes all relevant GASB pronouncements. In the Government-Wide Financial Statements and the Fund Financial Statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The accounting and reporting framework and the more significant of the Town's accounting policies are described below.

**A. Financial Reporting Entity**

The Town reports related organizations under the guidance of Statement No. 14 of the Governmental Accounting Standards Board. Statement No. 14 defines the primary government, and establishes the criteria for which potential component units are included in the reporting entity. Statement No. 14 defines financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing board, ability to impose its will or potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government.

The accompanying basic financial statements include only the operations of the Town, since management has determined that there are no other organizations that meet the criteria for inclusion in the reporting entity of the Town.

**B. Basis of Presentation**

The accounting system is organized and operated on the basis of funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Town's funds are grouped into two broad fund categories and two generic fund types for financial statement presentation purposes. Governmental funds include the General Fund. Proprietary funds include Enterprise Funds.

**Town of Evergreen, Louisiana**  
**June 30, 2018**

**Notes to Financial Statements**

**Government - Wide Financial Statements**

The Government-Wide Financial Statements, "*Statement of Net Assets*" and "*Statement of Activities*", report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

The Government-Wide Financial Statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the Government-Wide Financial Statements and the statements for government funds.

The Statement of Activities presents a comparison between expenses (both direct and indirect) and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Indirect expenses are not allocated to governmental activities functions in the Statement of Activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenue are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

Net assets are reported as restricted when constraints placed on net assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Fund Financial Statements**

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. For the current fiscal year ended June 30, 2018, the Town has no nonmajor funds.

**Town of Evergreen, Louisiana**  
**June 30, 2018**

**Notes to Financial Statements**

**C. Basis of Accounting**

**Governmental Funds**

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental fund is the General Fund. This fund is the Town's primary operating fund and accounts for all financial resources except those required to be accounted for in another fund.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are recognized when deemed both measurable (the amount of the transaction can be determined) and available (collectible within the current period or within 60 days after year end and available to pay obligations of the current period). This includes property taxes, franchise taxes, grants, interest revenue, and charges for services. Permits and license revenue are not susceptible to accrual because generally they are not measurable until received in cash. Reimbursements due for federally and state funded projects are accrued as revenue at the time the expenditures are made, or, when received in advance, deferred until expenditures are made.

**Expenditure Recognition**

The measurement focus on governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Allocations of costs, such as depreciation, are not recognized in the governmental funds.

**Proprietary Funds**

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled service receivables are recorded at each year-end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds include charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, benefits paid and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The major proprietary funds of the Town are the Water System Fund and the Sewer System Fund which account for water and sewer services provided to residents of the Town.

**Town of Evergreen, Louisiana**  
**June 30, 2018**

**Notes to Financial Statements**

**D. Budgets and Budgetary Accounting**

The budget for the General Fund is adopted on the modified accrual basis of accounting, as discussed in the governmental funds. Annual appropriated operating budgets of proposed expenditures and the means of financing them are adopted for the general fund. Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Budgets are adopted consistent with accounting principles generally accepted in the United States of America.

**E. Cash and Cash Equivalents and Investments**

Cash and cash equivalents include amounts on hand and in demand deposits and money market accounts. For the purpose of the statement of cash flows, management considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

Investments represent certificates of deposit with a maturity date more than three months from the date acquired. Investments are stated at cost, which approximates market value.

Under state law, the Town may deposit funds in demand deposits (interest bearing or non-interest bearing), money market accounts, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana. The Town may invest in United States bonds, treasury notes, investments as stipulated in state law, or any other federally insured investments.

**F. Receivables**

Receivables are charged against income as they become uncollectible. Bad debts arising from customers' utility receivables are recognized by the direct charge-off method, whereby uncollectible accounts are written off upon delinquency. At June 30, 2018, the Town considers all accounts collectible, and an allowance for doubtful accounts, if any, would be immaterial.

**G. Internal Balances (Due From/To Other Funds)**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the statement of net assets and as due from/to other funds in the fund financial statements.

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**H. Restricted Assets**

Certain proprietary fund assets are classified as restricted assets because their use is limited by applicable bond covenants or by Aldermen action. The assets classified as restricted represent "customers' deposits" amounts received from individuals for utility deposits, which are payable to the customers upon discontinuing service, and "debt service accounts" accumulated for debt service payments of bonds. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

**Town of Evergreen, Louisiana**  
**June 30, 2018**

**Notes to Financial Statements**

**I. Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds.

In the Government-Wide Financial Statements, capital assets, including general capital assets, are capitalized and depreciated on a straight-line basis over their estimated useful lives. Public domain capital assets (infrastructure), which consist of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized. The valuation basis for capital assets is historical cost, or when historical cost is not available, estimated historical cost. Donated capital assets are valued at estimated fair value on the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$500.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for general capital assets. Donated assets are capitalized at estimated fair market value on the date donated.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during the current period.

**J. Compensated Absences**

Employees of the Town are entitled to paid vacation and paid sick days off, depending on the length of service. None of these benefits vest, therefore, vacation leave is expensed as incurred.

**K. Interfund Transactions**

Quasi-external transactions, if any, are accounted for as revenues or expenditures. 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.

**L. Long-term Obligations**

In the Government-Wide Financial Statements and the proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities and proprietary fund type Statement of Net Assets.

**M. Fund Equity**

In the Government-Wide Financial Statements and the proprietary fund financial statements, the restrictions on net assets are limited to outside third-party restrictions.

**Town of Evergreen, Louisiana  
June 30, 2018**

**Notes to Financial Statements**

**N. Governmental Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

**Non-spendable fund balance** – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

**Restricted fund balances** – amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors, creditors, or citizens.

**Committed fund balance** – amounts that can be used only for specific purposes determined by a formal action of the Town.

**Assigned fund balance** – amounts that are constrained by the Fund's intent that they will be used for specific purpose.

**Unassigned fund balance** - all other amounts not included in the other spendable classifications.

**O. Use of Estimates**

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

**2. Cash and Cash Equivalents and Investments**

At June 30, 2018, the Town had cash and cash equivalents and investments as follows:

	Governmental Activities	Business-type Activities	Totals
Cash and cash equivalents	\$ 15,842	\$ 293,313	\$ 309,155
Investments	12,147	135,350	147,497
Restricted cash and cash equivalents	-	33,532	33,532
Restricted investments	-	4,019	4,019
	<u>\$ 27,989</u>	<u>\$ 466,214</u>	<u>\$ 494,203</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or 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 agent bank.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. As of June 30, 2018, the Town's bank balance of \$497,444 was not exposed to custodial credit risk in that \$497,444 was insured by the FDIC insurance and securities pledged by the financial institution.

**Town of Evergreen, Louisiana  
June 30, 2018**

**Notes to Financial Statements**

**3. Receivables**

Receivables as shown in the Statement of Net Assets, at June 30, 2018, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Customer utility accounts			
Uncollected cycle billings	\$ -	\$ 37,006	\$ 37,006
Estimated billings between cycles	-	7,797	7,797
Grant receivable		2,117	2,117
Taxes and Licenses	1,946	-	1,946
Intergovernmental			
Grass cutting	-	-	-
	<u>\$ 1,946</u>	<u>\$ 46,920</u>	<u>\$ 48,866</u>

Receivables arising from utility services provided to customers consist of uncollected billings rendered customers on monthly cycle billings and estimated services provided customers between billing cycles. No allowance for doubtful accounts is recorded at June 30, 2018, as such amounts are immaterial.

**4. Due From/To Other Funds and Transfers**

Amounts due from and to other funds as reported in the Fund Financial Statements, at June 30, 2018, consist of the following:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 27,140	\$ -
Water System Fund	15,783	20,187
Sewer System Fund	<u>          </u>	<u>22,736</u>
	<u>\$ 42,923</u>	<u>\$ 42,923</u>

These balances represent charges for goods and services between funds. The balances are settled periodically. The amounts here represent activity since the last settlement.

Transfers for the year ending June 30, 2018, shown in the Fund Financial Statements were as follows:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
General Fund	Water System Fund	\$ 18,000

The transfers are movements of money from one fund to another. These can be required by law or merely serve as a means to finance activities in the receiving fund. The transfers are not loans, i.e., the receiving fund does not pay it back.

**Town of Evergreen, Louisiana  
June 30, 2018**

**Notes to Financial Statements**

**5. Restricted Assets**

At June 30, 2018, restricted assets of the Water and Sewer System Enterprise Funds consisted of cash and cash equivalents and investments as follows:

	Water System	Sewer System	Total
Customer guaranteed deposits	\$ 37,143	\$ -	\$ 37,143

**6. Capital Assets and Depreciation**

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

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<b>Governmental Activities</b>				
Other Capital Assets				
Buildings and improvements	\$ 244,276	\$ 3,400	\$ -	\$ 247,676
Machinery and equipment	139,218	5,000	-	144,218
Vehicles	63,727	-	-	63,727
Total Other Capital Assets	447,221	8,400	-	455,621
Accumulated Depreciation				
Buildings and improvements	(185,687)	(8,186)	-	(193,873)
Machinery and equipment	(124,983)	(3,848)	-	(128,831)
Vehicles	(51,211)	(3,868)	-	(55,079)
Total Accumulated Depreciation	(361,881)	(15,902)	-	(377,783)
Other Capital Assets, Net	85,339	( 7,502)	-	77,837
Capital Assets, Net	\$ 85,339	\$ ( 7,502)	\$ -	\$ 77,837

Depreciation was charged to functions as follows:

Governmental Activities	
General government	\$ 15,902

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	7 - 40 years
Machinery and equipment	5 - 20 years
Vehicles	5 years

**Town of Evergreen, Louisiana  
June 30, 2018**

**Notes to Financial Statements**

**6. Capital Assets and Depreciation (Continued)**

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<b>Business-type Activities</b>				
Assets not Being Depreciated				
Land	\$ 9,765	\$ -	\$ -	\$ 9,765
Construction in Progress	-	-	-	-
<b>Total Assets not Being Depreciated</b>	<b>9,765.00</b>	<b>-</b>	<b>-</b>	<b>9,765</b>
Other Capital Assets				-
Plant and system	4,066,534	627,563	-	4,694,097
Buildings	7,015	3,400	-	10,415
Furniture and fixtures	2,241	-	-	2,241
Machinery and equipment	57,155	5,000	-	62,155
Vehicles	65,087	-	-	65,087
<b>Total Other Capital Assets</b>	<b>4,198,032</b>	<b>635,963</b>	<b>-</b>	<b>4,833,995</b>
<b>Accumulated Depreciation</b>				
Plant and system	(2,256,155)	(130,369)	-	(2,386,524)
Buildings	(2,368)	(1,059)	-	(3,427)
Furniture and fixtures	(2,241)	-	-	(2,241)
Machinery and equipment	(67,883)	(1,800)	-	(69,683)
Vehicles	(65,088)	-	-	(65,088)
<b>Total Accumulated Depreciation</b>	<b>(2,393,735)</b>	<b>(133,227)</b>	<b>-</b>	<b>(2,526,962)</b>
Other Capital Assets, Net	1,804,297	502,736	-	2,307,033
<b>Capital Assets, Net</b>	<b>\$ 1,814,062</b>	<b>\$ 502,736</b>	<b>\$ -</b>	<b>\$ 2,316,798</b>

Depreciation was charged to functions as follows:

Business-type Activities	
Water	\$ 97,121
Sewer	36,106
<b>Total Depreciation Expense for Business-type Activities</b>	<b>\$ 133,227</b>

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Plant and system	5 - 50 years
Furniture and fixtures	3 - 10 years
Machinery and equipment	3 - 10 years
Vehicles	3 - 7 years

**Town of Evergreen, Louisiana  
June 30, 2018**

**Notes to Financial Statements**

**7. Long-Term Debt**

A summary of long-term debt, as of June 30, 2018, follows:

	<u>Balance 07/01/18</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 06/30/2018</u>
Business-type Activities Long-term Debt				
Customer guaranteed deposits	<u>\$33,055</u>	<u>\$4,088</u>	<u>\$ -</u>	<u>\$37,143</u>

**8. Ad Valorem Taxes**

Ad valorem taxes attach as an enforceable lien on property located within the parish as of January 1 of each year. Taxes are levied normally in November and actually billed to the taxpayer during the same month. Billed taxes become delinquent on January 1 of the following year. These taxes are billed using the assessed values determined by the tax assessor of Avoyelles Parish. Assets are recognized when an enforceable legal claim has arisen or when resources are received, whichever is first. Revenues from ad valorem taxes are budgeted in the year billed, and recognized in the period that the taxes are levied.

For the year ended June 30, 2018, taxes of 6.30 mills were levied on property with assessed values totaling \$983,450.

**9. Compensation of Elected Officials**

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following report reflects compensation paid to the Mayor and the Board of Aldermen, for the fiscal year ended June 30, 2018.

Mayor John Armand	\$ 4,800
Board of Aldermen	
Wanda Clark	1,400
Kathy Joffrion	1,400
Sarah Riche	1,000
Levi Phillips	700
Roxanne Riche	1,200

**Town of Evergreen, Louisiana**  
**June 30, 2018**

**Notes to Financial Statements**

**10. 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. These risks of loss are covered by participation in a public entity risk pool that operates as a common insurance program and by commercial insurance coverage. Claims resulting from these risks have historically not exceeded insurance coverage.

The Town covers all other losses, claim settlements, and judgments from General Fund resources. The Town currently reports all of its risk management activities in its General Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

The Town has not been named as a defendant in any lawsuits as of June 30, 2018.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Town of Evergreen  
Budgetary Comparison Schedule  
General Fund  
June 30, 2018**

**Schedule 1**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 17,700	\$ 17,525	\$ 16,360	\$ (1,165)
Intergovernmental	25	-	-	-
Licenses and permits	15,000	14,000	13,708	(292)
Investment earnings	75	60	62	2
Grant contributions	-	-	-	-
Police Fines	-	-	17,078	17,078
Other	7,250	7,500	7,913	413
Total Revenues	<u>40,050</u>	<u>39,085</u>	<u>55,120</u>	<u>16,035</u>
<b>Expenditures</b>				
Current				
General government	42,025	70,640	73,572	(2,932)
Public safety	18,000	18,000	19,355	(1,355)
Total Expenditures	<u>60,025</u>	<u>88,640</u>	<u>92,927</u>	<u>(4,287)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(19,975)	(49,555)	(37,807)	11,748
<b>Other Financing Sources</b>				
Transfers in	<u>12,000</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(7,975)	(31,555)	(19,807)	11,748
<b>Fund Balance, Beginning of Year</b>	<u>66,176</u>	<u>66,176</u>	<u>66,176</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 58,201</u>	<u>\$ 34,621</u>	<u>\$ 46,369</u>	<u>\$ 11,748</u>

The accompanying notes are an integral part of this financial statement.

**Town of Evergreen, Louisiana**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2018**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for the General Fund. The Town maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Board of Aldermen. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a fund. Budgeted amounts presented are as originally adopted and as further amended by the Board of Aldermen. Budgetary appropriations lapse at the end of each fiscal year and must be re-appropriated for the following year in order to be expended.

**Town of Evergreen, Louisiana  
June 30, 2018**

**Schedule of Compensation, Benefits, and Other Payments to Agency Heads**

**Schedule 2**

Agency Head: John Armand, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary & Benefits	\$4,800
Meals and Travel	344
Dues	<u>125</u>
Total	<u>\$5,269</u>

**OTHER REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS**

**INDEPENDENT AUDITORS' 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 John Armand, Mayor  
And the Members of the Board of Aldermen  
Town of Evergreen, 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, and each major fund of the Town of Evergreen, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Evergreen, Louisiana's basic financial statements and have issued our report thereon dated December 14, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Evergreen, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Evergreen'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies, and therefore, the material weaknesses or significant deficiencies may exist that had not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency identified as item 18-02.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Evergreen, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 18-01.

### Purpose of this Report

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

In addition, this report is intended for the information and use of the Mayor and Members of the Council and management of the Town of Evergreen, Louisiana, federal awarding agencies, and for filing with the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

**DUCOTE & COMPANY**

Marksville, Louisiana  
December 14, 2018

**TOWN OF EVERGREEN, LOUISIANA**  
**Summary of Findings, and Responses**  
**For the Year Ended June 30, 2018**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(s) identified?	_____yes	___x___no
Reportable condition(s) identified not Considered to be material weakness(s)	___x___yes	_____no
Noncompliance material to financial statements noted?	___x___yes	_____no

**Federal Awards**

Not applicable for the fiscal year ended June 30, 2018.

**Section II-Financial Statement Findings**

There are two findings relative to compliance labeled 18-01 and 18-02 as discussed in detail in Section IV, which is the same comment labeled 17-01 and 17-02 in the prior year report.

***Section III – Federal Award Findings and Questioned Costs***

Not applicable for the fiscal year ended June 30, 2018.

**Town of Evergreen, Louisiana  
Schedule of Findings and Responses  
Year Ended June 30, 2018**

**Finding 2018-01 Financial Statement Preparation**

Criteria: An appropriate and effective system of internal control over financial reporting includes controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.

Condition and Context: The Town of Evergreen does not have personnel with the technical accounting expertise to prepare GAAP financial statements including footnote disclosures.

Cause and Effect: Due to cost effectiveness, auditor assistance is required for preparation of the financial statements and the related notes.

Recommendation: No action is recommended.

Management's Response: See Management's Corrective Action Plan.

**Finding 2018-02 Segregation of Duties over Cash Receipts**

Criteria: Adequate controls over accountability for cash resources includes procedures to provide for checks and balances in the receiving and recording of cash collections. Such procedures include the segregation of the responsibilities for collections and deposit preparation functions separate from those for recording cash receipts and general ledger entries.

Condition and Context: There is a lack of segregation of duties over cash receipts in that the same person handles incoming receipts, prepares the deposits, posts receipts to customer accounts and to the general ledger, and receives and reconciles the monthly bank statement.

Cause and Effect: Due to the small size of the Town's office staff there is a lack of segregation of cash receipts duties.

Recommendation: We recommend that, the Mayor or a board member receive and review the bank statements before turning them over to the bookkeeper to prepare the bank reconciliation. They should also review the reconciliations after they are prepared.

Management's Response: See Management's Corrective Action Plan.

**Town of Evergreen, Louisiana  
Management's Corrective Action Plan  
Year Ended June 30, 2018**

**Finding 2018-01 Financial Statement Preparation**

**Condition and Context:** The Town of Evergreen does not have personnel with the technical accounting expertise to prepare GAAP financial statements including footnote disclosures.

**Recommendation:** No action is recommended.

**Action taken:** No action is necessary.

**Finding 2018-02 Segregation of Duties over Cash Receipts**

**Condition and Context:** There is a lack of segregation of duties over cash receipts in that the same person handles incoming receipts, prepares the deposits, posts receipts to customer accounts and to the general ledger, and receives and reconciles the monthly bank statement.

**Recommendation:** It is recommended that, the Mayor or a board member receive and review the bank statements before turning them over to the bookkeeper to prepare the bank reconciliation. They should also review the reconciliations after they are prepared.

**Action taken:** The Mayor will meet monthly with the Town Clerk to review all monthly bank reconciliations prepared by the Town Clerk.

**Town of Evergreen, Louisiana  
Status of Prior Year Findings  
Year Ended June 30, 2018**

**Finding 2017-01 Financial Statement Preparation**

*Condition and Context:* The Town of Evergreen does not have personnel with the technical accounting expertise to prepare GAAP financial statements including footnote disclosures.

*Current Status:* Unresolved. See Finding 2018-01.

**Finding 2017-02 Segregation of Duties over Cash Receipts**

*Condition and Context:* There is a lack of segregation of cash receipts duties in that the same person handles incoming receipts, prepares the deposits, posts receipts to the customer accounts and to the general ledger, and receives and reconciles the monthly bank statement.

*Current Status:* Unresolved. See Finding 2018-02.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

The Honorable John Armand, Mayor  
And the Members of the Board of Aldermen  
Evergreen, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Town of Evergreen and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2018. The Town's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

**Written Policies and Procedures**

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

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

Policies and procedures are in the process of being updated to include all relevant policies in accordance with recommendations and suggested procedures outlined by the Legislative Auditor's Office.

### **Board or Finance Committee**

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

Minutes were reviewed and verified that they were held at least monthly with a quorum.

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.<sup>1</sup>

Budget comparison reports and other financial data are presented at each monthly meeting.

- b) 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.

The Town had no negative fund balances in the prior year.

## **Bank Reconciliations**

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3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts<sup>2</sup> (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged); No exceptions noted.
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and Bank reconciliations are prepared by the contract accountant off-site.
  - 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. This is handled by the contract accountant.

## **Collections**

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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). There is only one location.
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers. There is currently one cash drawer.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit. The clerk and water superintendent prepare the deposits and collect cash.
  - 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. General Ledger postings are made by the accountant.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation. General Ledger posting are made by the accountant.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft. Yes, the employees are covered by bond insurance.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered. Manual receipts are kept for General Fund deposits and Water Security deposits. There is also a summary of the receipts either attached to the deposit slip or written directly on the deposit slip. For Water and Sewer deposits, a printout from the computer system is used. Deposits to the Payroll and Sewer accounts are transfers from other funds.
  - 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). Deposits are made every Friday since the bank is more than 10 miles away, unless the deposit is a small amount.
  - e) Trace the actual deposit per the bank statement to the general ledger.

**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).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. n/a – Invoices are approved at monthly meetings.
  - b) At least two employees are involved in processing and approving payments to vendors. n/a All invoices are approved at monthly meetings.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement. No exceptions noted.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable. n/a

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

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- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete. There is only 1 active credit card.
- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]] Credit card payments purchases are approved for payment at the monthly meetings.
  - b) Observe that finance charges and late fees were not assessed on the selected statements. No exceptions noted.
- 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).  
No exceptions noted.

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

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- 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:
  - 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](http://www.gsa.gov)).  
Mileage reimbursement is based on IRS stated mileage rates. All other reimbursements are based on actual costs.

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

All 5 reimbursements tested were supported by proper documentation.

- 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).

All 5 reimbursements were properly documented and in accordance with written policy.

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

All are properly approved either in the minutes before each training or conference is registered for and reimbursements for actual costs are approved with bills to be paid.

## **Contracts**

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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. 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:

There were no new contracts entered into in the fiscal year ended June 30, 2018. Only four on-going contracts were in place for the maintenance of the water towers, DOTD for grass cutting/maintenance, computer maintenance and rental agreement with the U. S. Post Office. The contract on the LCDBG Water System Improvements was completed by the end of the fiscal year.

- 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.

None of the contracts were subject to the bid law, except for the construction contract which was bid in the prior year.

- 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 new contracts in the current fiscal year.

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

The changes orders on the construction contract for the Water System Improvements was amended for change orders as permitted under the original terms for the contract.

- 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.

For the payments selected under each of the applicable contracts, all were in accordance with the terms and conditions of each contract.

## ***Payroll and Personnel***

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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.
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:
  - 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 entity's cumulative leave records. No exceptions noted. Client keeps a manual record of time off taken by each employee
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. No exceptions noted.
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. No exceptions noted.

## ***Ethics***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period June 30, 2018.

Documentation is retained for all elected officials and was verified. Employees did not begin the training until the fiscal year ending June 30, 2019.
  - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

There was no formal ethics policy in place as of June 30, 2018, however, an ethics policy is being adopted for the fiscal year ending June 30, 2019.

## **Debt Service**

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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.

There are no outstanding bonds as of June 30, 2018.

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.

None outstanding.

## **Other**

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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 entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management is not aware of any misappropriated funds or assets for the fiscal year ended June 30, 2018.

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

Notice is posted in Town Hall. The Town has no active website at this time.

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

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

**DUCOTE & COMPANY**

Marksville, Louisiana

December 14, 2018