

**TOWN OF STONEWALL, LOUISIANA**

**Annual Financial Statements**

**June 30, 2018**

# TOWN OF STONEWALL, LOUISIANA

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## **Dees Gardner, Certified Public Accountants, LLC**

**Deborah D. Dees, CPA/CFF**

**Maura Dees Gardner, CPA, CFE**

Phone No. 318-872-3007

**122 Jefferson Street**

**Mansfield, Louisiana**

Fax No. 318-872-1357

### **INDEPENDENT AUDITOR'S REPORT**

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

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Town of Stonewall,

Louisiana, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required and Other Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, listed as required supplementary information (Part I) in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stonewall's basic financial statements. The budgetary comparison schedule listed as required supplementary information (part II) in the table of contents as required by the Governmental Accounting Standards Board and the schedule of compensation, benefits and other payments to agency head or chief executive officer listed as other supplemental information in the table of contents as required by Louisiana Revised Statute 24:513(A)(3), are presented for purposes of additional analysis and are not required parts of the basic financial statements. The budgetary comparison statement and the schedule of compensation, benefits and other payments to agency head or chief executive officer are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of the Town of Stonewall, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Town of Stonewall, Louisiana's internal control over financial reporting and compliance.

In accordance with the requirements of the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, we have issued a report dated November 29, 2018 on the results of those procedures and management's response on pages 35 through 40.

*Dees Gardner, Certified Public Accountants, LLC*

Mansfield, Louisiana  
November 29, 2018

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

TOWN OF STONEWALL, LOUISIANA  
**Management's Discussion and Analysis**

June 30, 2018

As management of the Town of Stonewall, Louisiana, we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Stonewall as of and for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

**Financial Highlights**

The Town experienced an increase in its net position of \$315,309 (8.16%) during the fiscal year ended June 30, 2018, compared to an increase of \$348,655 (9.92%) the prior year. At June 30, 2018, the assets of the Town exceeded its liabilities by \$4,178,571 compared to prior year's ending net position of \$3,863,262.

The Town's total revenues decreased \$109,334 or 11.78% to \$818,443 for fiscal year ended June 30, 2018 from \$927,777 in June 30, 2017. This is due to a decrease in charges for services and grant revenues.

As of the close of the fiscal year, the Town's governmental funds reported an ending fund balance of \$1,597,139, an increase of \$312,901 from the \$1,284,238 fund balance for the prior year.

**Overview of the Financial Statements**

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

***Government-wide financial statements***

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

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

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

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

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

### ***Fund financial statements***

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

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

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

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

### **Notes to the financial statements**

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

### **Other Required Supplementary Information**

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

## Other Supplementary Information

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

## Financial Analysis of Government-wide Activities

### *Net Position*

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position totaled \$4,178,571 at June 30, 2018.

The portion of the Town's net position of \$2,581,432 (61.78%) at June 30, 2018, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment); less any related debt used to acquire those assets that is still outstanding compared to \$2,579,024 (66.76%) as of June 30, 2017. The Town uses these capital assets to provide services to the citizens of the Town; consequently, these assets are not available for future spending.

The remaining portion of the Town's net position, \$1,597,139 (38.22%) and \$1,284,238 (33.24%) as of June 30, 2018 and 2017, respectively, is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and councilmen. \$1,654,721 (103.6%) of the unrestricted net position of the Town consists of cash, demand deposits, and certificates of deposit compared to \$1,262,894 (98.34%) for the prior year.

A summary of the Statement of Net Position is below:

<b>ASSETS</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>% Change</b>
Cash and cash equivalents	\$ 1,132,261	\$ 742,775	52.4%
Investments	522,460	520,119	0.5%
Accounts receivable	49,789	39,950	24.6%
Utility deposits	55	55	0.0%
Prepaid expenses	21,930	29,556	-25.8%
Capital assets (net of accumulated depreciation)	2,581,432	2,579,024	0.1%
<b>TOTAL ASSETS</b>	<b>\$ 4,307,927</b>	<b>\$ 3,911,479</b>	<b>10.1%</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 129,356	\$ 48,217	168.3%
<b>TOTAL LIABILITIES</b>	<b>\$ 129,356</b>	<b>\$ 48,217</b>	<b>168.3%</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 2,581,432	\$ 2,579,024	0.1%
Unrestricted	1,597,139	1,284,238	24.4%
<b>TOTAL NET POSITION</b>	<b>\$ 4,178,571</b>	<b>\$ 3,863,262</b>	<b>8.2%</b>

### ***Changes in net position***

The Town's net position increased by \$315,309 (8.16%) during the year ended June 30, 2018, compared to an increase of \$348,655 (9.92%) in 2017. General revenues increased by \$71,939 and program revenues decreased by \$181,273 due primarily to decreases in public safety fines and capital grants.

\$40,322 (4.93%) of the Town's total revenues was derived through charges for services during 2018 compared to \$128,120 (13.81%) for the prior year. The Town received \$3,616 (0.44%) and \$97,091 (10.46%) of its total revenues through program grants and contributions during 2018 and 2017, respectively. \$774,505 (94.63%) was derived from general revenues including sales taxes, franchise taxes, occupational license, rent, and interest compared to \$702,556 (75.73%) during 2017. The net effect of the *decrease* in revenue is \$109,334 or 11.78%.

The expenses were down \$75,988 or 13.12%. The principal expenses were for general and administrative \$246,402 (48.97%), public works \$139,494 (27.73%), parks and recreation \$64,682 (12.86%), and public safety \$50,863 (10.11%),

A summary of the Statement of Activities is below:

	For the year ended <u>June 30, 2018</u>	For the year ended <u>June 30, 2017</u>	% <u>Change</u>
<b>Revenue</b>			
Program revenues:			
Charges for services	\$ 40,322	\$ 128,120	-68.5%
Grants, operations	2,147	657	226.8%
Grants, capital	1,469	96,434	-98.5%
General revenues:			
Sales tax	432,172	402,663	7.3%
Franchise tax	204,129	178,266	14.5%
License & permits	112,821	108,149	4.3%
Other general revenue	14,631	21,776	-32.8%
Interest	3,051	2,726	11.9%
Gain on sale of assets	7,701	(11,014)	-169.9%
Total revenues	<u>818,443</u>	<u>927,777</u>	<u>-11.8%</u>
<b>Expenses</b>			
General and administrative	246,402	208,947	17.9%
Public safety	50,863	199,439	-74.5%
Public works	139,494	127,607	9.3%
Parks and recreation	64,682	41,005	57.7%
Economic Development	1,693	2,124	-20.3%
Total expenses	<u>503,134</u>	<u>579,122</u>	<u>-13.1%</u>
Increase (decrease) in net position	315,309	348,655	
Net position beginning of year	<u>3,863,262</u>	<u>3,514,607</u>	
Net position end of year	<u>\$ 4,178,571</u>	<u>\$ 3,863,262</u>	8.2%

## **Financial Analysis of the Governmental Funds**

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

At June 30, 2018, the General Fund's fund balance of \$1,597,139 shows an increase of \$312,901 (24.36%) in comparison to \$1,284,238 at June 30, 2017.

## **General Fund Budgetary Highlights**

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.). Budgeted revenues were less than actual revenues by \$11,542. Total expenditures were less than budgeted expenditures by \$38,029. The Town amended the budget once during the period ended June 30, 2018.

## **Capital Asset and Debt Administration**

**Capital assets** The Town of Stonewall's investment in capital assets for its governmental activities as of June 30, 2018, totaled \$2,581,432 (net of accumulated depreciation of \$1,206,715). This investment includes land, buildings, furniture, equipment, and infrastructure. The town expensed \$170,923 for capital outlays which included an air conditioning unit at Town Hall for general government, and a new tractor, mower and the overlay of a portion of Rambin road for public works. Three police cars were sold during the year. Depreciation expense was \$168,216. The net increase in capital assets for the year was \$2,408.

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

## **Economic Factors and Next Year's Budget**

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

- General revenues will remain consistent with the prior year.
- There will be no police fines since the police department was abolished effective July 1, 2018.
- The Town does not expect to receive significant grant monies
- Other expenditures, excluding public safety, are expected to remain steady with the prior year.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town of Stonewall's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Stonewall, P. O. Box 92, Stonewall, LA 71078.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**TOWN OF STONEWALL, LOUISIANA**  
**STATEMENT OF NET POSITION**  
June 30, 2018

		GOVERNMENTAL ACTIVITIES
<b>ASSETS</b>		
Cash and cash equivalents	\$	1,132,261
Investments		522,460
Accounts receivable		49,789
Prepaid expenses		21,930
Deposits		55
Capital assets, net of depreciation		2,581,432
TOTAL ASSETS	\$	4,307,927
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$	129,216
Payroll liabilities		140
Total current liabilities		129,356
TOTAL LIABILITIES	\$	129,356
<b>NET POSITION</b>		
Net investment in capital assets	\$	2,581,432
Unrestricted		1,597,139
TOTAL NET POSITION	\$	4,178,571

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

**TOWN OF STONEWALL, LOUISIANA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

Governmental Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
General government					
Administration	\$ 221,029	\$ 250	\$ -	\$ 1,469	\$ (219,310)
Building and grounds	25,373	18,325	60	-	(6,988)
Public safety-police	50,863	20,572	-	-	(30,291)
Public works- streets	139,494	1,175	-	-	(138,319)
Economic development	1,693	-	-	-	(1,693)
Parks and recreation	64,682	-	2,087	-	(62,595)
Total Governmental Activities	\$ <u>503,134</u>	\$ <u>40,322</u>	\$ <u>2,147</u>	\$ <u>1,469</u>	<u>(459,196)</u>
General Revenues:					
					432,172
Sales tax					204,129
Franchise taxes					112,821
Licenses and permits					3,051
Investment earnings					14,631
Other general revenue					7,701
Gain/(Loss) on sale of assets					<u>774,505</u>
Total General Revenues					
					315,309
Change in Net Position					
					<u>3,863,262</u>
Net Position Beginning					
					\$ <u>4,178,571</u>
Net Position Ending					

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

## FUND FINANCIAL STATEMENTS

**TOWN OF STONEWALL, LOUISIANA**  
**BALANCE SHEET, GOVERNMENTAL FUND**  
June 30, 2018

		General Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$	1,132,261
Investments		522,460
Accounts receivable		49,789
Prepaid expenses		21,930
Deposits		55
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>1,726,495</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$	129,216
Payroll liabilities		140
Total Liabilities		129,356
Fund Balances:		
Nonspendable		21,985
Unassigned		1,575,154
Total Fund Balances		1,597,139
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$</b>	<b>1,726,495</b>

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

Fund Balance of Governmental Funds	\$	1,597,139
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Amounts reported for governmental activities in the statement of net position are different because:

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

Add capital assets	\$	3,788,147	
Less accumulated depreciation		(1,206,715)	2,581,432
Net Position of Governmental Activities, Statement A	\$		4,178,571

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

**TOWN OF STONEWALL, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
For the Year Ended June 30, 2018

	General Fund
<b>Revenues</b>	
Sales taxes	\$ 432,172
Franchise taxes	204,129
Licenses and permits	132,321
Charges for services	250
Fines and forfeitures	20,572
Interest income	3,051
Donations	3,616
Other	14,631
Total Revenues	810,742
<b>Expenditures</b>	
Current:	
General government	217,847
Public safety-Police	38,152
Public works- Streets and right of ways	33,634
Economic development	1,693
Parks and recreation	43,592
Capital outlays	170,923
Total Expenditures	505,841
Net Change in Fund Balance before Other Financing Source	304,901
Other Financing Source	
Sale of assets	8,000
Total Other Financing Source	8,000
Net Change in Fund Balance	312,901
<b>Fund balance, beginning of year</b>	1,284,238
<b>Fund balance, end of year</b>	\$ 1,597,139

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

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

Net change in fund Balance--governmental funds	\$ 312,901
Governmental funds report capital outlays as expenditures and the sales price of assets as revenue. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense and gain or loss on disposition of assets is recorded.	
Sale proceeds for assets (\$8,000) and gain on sale of assets (\$7,701)	(299)
Capital Outlays (\$170,923) less depreciation expense (\$168,216)	2,707
Change in Net Position, Statement of Activities	\$ 315,309

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

## NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF STONEWALL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of and For the Year Ended June 30, 2018

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## **INTRODUCTION**

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

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting Entity**

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

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

### **B. Basis of Presentation**

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

### **C. Fund Accounting**

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

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

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

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

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**TOWN OF STONEWALL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of and For the Year Ended June 30, 2018

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

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

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

**Cash and Investments**

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

**Prepaid Expenses**

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

**TOWN OF STONEWALL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of and For the Year Ended June 30, 2018

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Assets**

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

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

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

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

**Compensated Absences**

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

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

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

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

The vacation leave is accrued as a liability as the benefits are earned by the employees. Sick leave is not accrued. At June 30, 2018, there are no accumulated or vested benefits relating to vacation and sick leave. The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the General Fund when leave is actually taken.

**Sales and Use Taxes**

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

**TOWN OF STONEWALL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of and For the Year Ended June 30, 2018

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Estimates**

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

**Equity**

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

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

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

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

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

- a. *Nonspendable:* Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Town has classified deposits and prepaid items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- b. *Restricted:* Amounts that can be spent only for specific purposes because of the Town's charter or codes, state or federal laws, or externally imposed conditions by grantors or creditors. The Town did not have any restricted resources as of June 30, 2018.
- c. *Committed:* Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. The Town did not have any committed resources as of June 30, 2018.
- d. *Assigned:* Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by Town Council. The Town did not have any assigned resources as of June 30, 2018.
- e. *Unassigned:* All amounts not included in other spendable classifications.

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

**TOWN OF STONEWALL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of and For the Year Ended June 30, 2018

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**NOTE 2. CASH AND INVESTMENTS**

*Cash:*

At June 30, 2018, the Town has cash and cash equivalents (book balances) in demand deposits totaling \$1,132,261. These deposits are stated at cost, which approximates market.

*Investments:*

At June 30, 2018, the Town has investments in certificates of deposit totaling \$522,460. These are all being held for a period of one year or less.

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

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Town's name.

At June 30, 2018, the Town had collected bank balances of totaling \$1,662,124. These deposits are secured from risk by \$624,585 of federal deposit insurance. The remaining balance of \$1,037,539 is secured by pledged securities with a market value of \$1,951,355 held by the custodial banks in the name of the Town.

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

**NOTE 3. RECEIVABLES**

Substantially all receivables are considered to be fully collectible and no allowance for uncollectibles is used. The Town's receivables of \$49,789 at June 30, 2018, are as follows:

Franchise tax	\$ 48,149
Licenses	1,640
Total	<u>\$ 49,789</u>

**TOWN OF STONEWALL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of and For the Year Ended June 30, 2018

**NOTE 4. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the ended June 30, 2018, for the Town is as follows:

	Balance 6/30/2017	Increases	Reclassifications/ Decreases	Balance 6/30/2018
Capital assets, not being depreciated				
Land	\$ 252,633	\$ -	\$ -	\$ 252,633
Total capital assets, not being depreciated	<u>\$ 252,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,633</u>
Capital assets being depreciated				
Buildings	\$ 705,905	\$ -	\$ -	\$ 705,905
Equipment and furniture	153,594	110,840	(16,527)	247,907
Heavy Machinery	32,815	-	-	32,815
Improvements	2,416,541	60,083	-	2,476,624
Vehicles	115,105	-	(42,842)	72,263
Total capital assets being depreciated	<u>3,423,960</u>	<u>170,923</u>	<u>(59,369)</u>	<u>3,535,514</u>
Less accumulated depreciation for				
General government	278,159	28,556	-	306,715
Public Safety	122,836	12,711	(59,070)	76,477
Culture and recreation	150,051	21,089	-	171,140
Public Works	546,523	105,860	-	652,383
Total accumulated depreciation	<u>1,097,569</u>	<u>168,216</u>	<u>(59,070)</u>	<u>1,206,715</u>
Total Capital assets being depreciated, net	<u>\$ 2,579,024</u>	<u>\$ 2,707</u>	<u>\$ (299)</u>	<u>\$ 2,581,432</u>

Depreciation expense of \$168,216 for the year ended June 30, 2018, was charged to the following governmental functions:

General government	\$ 28,556
Public safety	12,711
Public works	105,860
Culture and recreation	21,089
	<u>\$ 168,216</u>

**NOTE 5. PENSION PLAN**

All employees of the Town are members of the Social Security System. The Town does not guarantee the benefits granted by the Social Security System. The Town also provides an up to three percent matching contribution to employees through a retirement benefit plan. The Town's expense for year end June 30, 2018, is \$3,812.

**NOTE 6. LITIGATION AND CLAIMS**

The Town of Stonewall is not involved in any litigation at June 30, 2018, nor is it aware of any unasserted claims.

**NOTE 7. RISK MANAGEMENT**

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

**TOWN OF STONEWALL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of and For the Year Ended June 30, 2018

**NOTE 8. COOPERATIVE ENDEAVOR AGREEMENTS/ LEASES**

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

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

In November, 2013, the Town entered into a lease agreement with the Louisiana Coalition for Accessible and Sustainable Healthcare (LaCASH) to lease the surface use of land at 160 Stonecreek Drive, Stonewall, Louisiana for forty-five years at a monthly base rental of \$625. LaCASH designed and constructed a building at its sole cost, responsibility, and liability for the purpose of providing healthcare services to the residents of Stonewall and the surrounding area. The Town recognized rental income of \$7,971 for the year end June 30, 2018, from this contract.

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

In October, 2017, the Town entered into a cooperative endeavor agreement with the City of Winnfield, Louisiana to transfer three surplus police vehicles for a sales price of \$8,000.

In November, 2017, the Town entered into a cooperative endeavor agreement with the DeSoto Parish Police Jury to provide labor and equipment to the Town to overlay a portion of Rambin Road in the Town's limits. The Town agreed to reimburse the Police Jury up to \$80,000 for the materials. The actual costs of materials was \$60,083, and the contract was completed in 2018.

**NOTE 9. RELATED PARTY TRANSACTIONS**

Procedures, observations, and inquiries did not disclose any material related party transactions for this fiscal year ended June 30, 2018.

**NOTE 10. PAYMENTS TO COUNCIL MEMBERS**

		<u>Per Diem</u>	<u>Travel</u>	<u>Total</u>
Margaret Dickerson	Councilwoman	\$ 500	\$ -	\$ 500
Nicholas Gasper	Councilman	550	-	550
Pat Loftus	Councilman	600	-	600
Randall Rodgers	Councilman	600	133	733
Dot Simmons	Councilwoman	600	-	600
	Totals	<u>\$ 2,850</u>	<u>\$ 133</u>	<u>\$ 2,983</u>

**NOTE 11. SUBSEQUENT EVENTS**

Management has performed an evaluation of the Town's activities through November 29, 2018, and has concluded that there are no significant events requiring recognition or disclosure through the date and time these financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

**TOWN OF STONEWALL, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Sales taxes	\$ 380,000	\$ 420,000	\$ 432,172	\$ 12,172
Franchise taxes	180,000	240,000	204,129	(35,871)
Intergovernmental revenue				
State grants	55,000	-	-	-
License and permits	106,200	106,200	132,321	26,121
Charges for services	2,000	2,000	250	(1,750)
Court fines and forfeitures	100,000	20,000	20,572	572
Investment earnings	2,000	2,000	3,051	1,051
Donations	-	-	3,616	3,616
Other revenue	9,000	9,000	14,631	5,631
<b>Total Revenues</b>	<u>834,200</u>	<u>799,200</u>	<u>810,742</u>	<u>11,542</u>
<b>Expenditures</b>				
Current:				
General government administrative	233,220	207,220	192,475	14,745
Other general government	38,350	34,750	25,372	9,378
Public safety	60,600	43,000	38,152	4,848
Public works	40,400	40,400	33,634	6,766
Economic development	5,000	5,000	1,693	3,307
Parks and recreation	26,000	43,500	43,592	(92)
Capital outlay	300,000	170,000	170,923	(923)
<b>Total Expenditures</b>	<u>703,570</u>	<u>543,870</u>	<u>505,841</u>	<u>38,029</u>
Net Change in Fund Balance before other financing sources	<u>130,630</u>	<u>255,330</u>	<u>304,901</u>	<u>49,571</u>
Other financing source				
Sale of assets	-	-	8,000	8,000
<b>Total other financing source</b>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Net Change in Fund Balance	130,630	255,330	312,901	57,571
<b>Fund balances, beginning of year</b>	<u>1,284,238</u>	<u>1,284,238</u>	<u>1,284,238</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,414,868</u>	<u>\$ 1,539,568</u>	<u>\$ 1,597,139</u>	<u>\$ 57,571</u>

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

**TOWN OF STONEWALL**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**

As of and For the Year Ended June 30, 2018

**Budgetary Information**

The proposed budget for June 30, 2018, fiscal year was adopted June 13, 2017, after being introduced by the Mayor and made available for public inspection at the town hall of Stonewall, Louisiana. The Town of Stonewall's budget is prepared in accordance with accounting principles generally accepted in the United States of America. Budgets for most governmental funds are adopted annually on the modified cash basis of accounting. The budget was amended once during the year.

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

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

The following is the budget process of the Town:

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

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

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

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

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

## OTHER SUPPLEMENTAL INFORMATION

**TOWN OF STONEWALL, LOUISIANA**  
**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS**  
**TO AGENCY HEADS OR CHIEF EXECUTIVE OFFICER**  
For the Year Ended June 30, 2018

	Charles Waldon Mayor	Tommy Dufrene Police Chief
Salary	16,800	16,800
Benefits-insurance (Medicare)	244	247
Benefits- retirement (Social Security)	1,042	1,057
Benefits - retirement	-	432
Car allowance	-	-
Dues and memberships	-	-
Per diem	-	-
Reimbursements	-	-
Travel	-	-
Registration fees	-	-
Conference travel	-	-
Continuing professional education fees	-	-
Court pay	-	250
Cell phone	825	380
Uniforms	-	-
Total	<u>18,911</u>	<u>19,166</u>

See independent auditor's report.

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING*  
*STANDARDS*



## **Dees Gardner, Certified Public Accountants, LLC**

Deborah D. Dees, CPA/CFF

122 Jefferson Street

Maura Dees Gardner, CPA, CFE

Mansfield, Louisiana

Phone No. 318-872-3007

Fax No. 318-872-1357

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and general fund of the Town of Stonewall, Louisiana as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Stonewall, Louisiana's basic financial statements and have issued our report thereon dated November 29, 2018.

#### Internal Control over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of any audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 21:513 this report is a public document.

*Dees Gardner, Certified Public Accountants, LLC*

Mansfield, Louisiana  
November 29, 2018

## AUDIT FINDINGS

**TOWN OF STONEWALL, LOUISIANA**

Schedule of Findings and Responses

For the Year ended June 30, 2018

**SUMMARY OF AUDITOR'S REPORTS**

INDEPENDENT AUDITOR'S REPORT:

We have audited the basic financial statements of Town of Stonewall, Louisiana as of and for the year ended June 30, 2018, and have issued our report thereon dated November 29, 2018, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the basic financial statements as of June 30, 2018, resulted in an unmodified opinion.

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

Internal Control

Significant Deficiency  
Material Weakness

Yes

No

Yes

No

Compliance

Compliance Material to Financial Statements  
Other Matters

Yes

No

Yes

No

FEDERAL AWARDS

Not applicable

MANAGEMENT LETTER

None.

MANAGEMENT'S CORRECTIVE ACTION PLAN

None.

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

FINDINGS RELATED TO INTERNAL CONTROL

None.

FINDINGS RELATED TO COMPLIANCE

None.

**TOWN OF STONEWALL, LOUISIANA**  
Summary Schedule of Prior Year Findings  
For the year ended June 30, 2018

None.



# Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

Maura Dees Gardner, CPA, CFE

122 Jefferson Street

Mansfield, Louisiana 71052

## **Independent Accountant's Report On Applying Agreed-Upon Procedures**

To the Honorable Charles Waldon, Mayor  
and the Members of the Town Council for  
the Town of Stonewall, Louisiana, and the  
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Stonewall 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, 2017 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***

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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.

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

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

*Written policies and procedures were obtained and were found to address the functions noted above except as to how vendors are added to the vendor list.*

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

*Written policies and procedures were obtained and were found to 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).

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

- 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.

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

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

*Written policies and procedures were obtained and were found to 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.

*Written policies and procedures were obtained and were found to 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 entity's ethics policy.

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

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

*Written policies and procedures were obtained and were not found to address the functions noted above. The entity does not maintain any debt.*

**Management Response:** *The Town utilizes an independent accounting service that has the primary responsibility for processing vendor payments. No vendor payments are permitted by the Town without proper approvals. Given this arrangement and the limited number of vendor payments processed by the Town, Management is satisfied that proper controls are in place concerning the Town's Vendor List. As noted in the prior year report, the Town maintains no debt and has no plans to take on any debt in the foreseeable future.*

#### **Board or Finance Committee**

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- 2. No prior year exceptions. Category excluded from review.

#### **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 (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

*A listing of client bank accounts from management and management's representation that the listing is complete were obtained. The main operating account and 4 additional accounts were selected for review.*

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

*Reconciliations were observed to have been prepared within 2 months of the corresponding bank account for all accounts reviewed except for one statement for one account. It should be noted that this account only had one transaction for the period, which was an interest deposit, with no uncleared transactions pending.*

- 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

*Board/management review was not regularly observed on bank reconciliations. Review was found in several cases but was beyond 2 months of the closing of the corresponding bank statement.*

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

No exceptions were noted as a result of this procedure.

**Management Response:** Management will ensure that bank reconciliations are prepared and reviewed within two months of each bank statement closing date.

### **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).

*A listing of deposits sites and management's representation that the listing is complete were obtained. The only site of the entity selected for review.*

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 listing of collection locations and management's representation that the listing is complete were obtained. The only location of the entity selected for review.*

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

*No exceptions were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure.*

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

*Two deposits for each of the bank accounts selected under procedure #3 were randomly selected and supporting documentation was obtained.*

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

*No exceptions were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure.*

- 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 were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure.*

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

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

*A listing of payment processing locations and management's representation that the listing is complete were obtained. The only location of the entity selected for review.*

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

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

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

*No exceptions were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure.*

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

*An independent accounting service is utilized and is the primary party responsible for processing payments. However, the Town Clerk can process payments and was observed to do so periodically. Both parties can add and modify vendors in the entity accounting system but no vendor payments are made without proper approvals. Each vendor check requires two signatures.*

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

*No exceptions were noted as a result of this procedure.*

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

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

*One invoice was reviewed that appears to have been inadvertently overpaid by \$2.60. A credit statement issued by the vendor notes the overpayment, however, no refund was issued and the credit was not accounted for in subsequent transactions with vendor.*

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

*No exceptions were noted as a result of this procedure.*

**Management Response:** *Management has contacted the vendor to resolve the credit balance issue noted above.*

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

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- 11. No prior year exceptions. Category excluded from review.
- 12. No prior year exceptions. Category excluded from review.
- 13. No prior year exceptions. Category excluded from review.

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

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- 14. No prior year exceptions. Category excluded from review.

#### **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. *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:

*A listing of agreements/contracts and management's representation that the listing is complete were obtained. 5 contracts were selected for review.*

- 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.

*No exceptions were noted as a result of this procedure.*

- 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 exceptions were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure.*

- 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 were noted as a result of this procedure.*

### ***Payroll and Personnel***

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16. No prior year exceptions. Category excluded from review.

17. No prior year exceptions. Category excluded from review.

18. No prior year exceptions. Category excluded from review.

19. No prior year exceptions. Category excluded from review.

### ***Ethics***

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20. No prior year exceptions. Category excluded from review.

### ***Debt Service***

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21. No prior year exceptions. Category excluded from review.

22. No prior year exceptions. Category excluded from review.

### ***Other***

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23. No prior year exceptions. Category excluded from review.

24. No prior year exceptions. Category excluded from review.

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.

*Dees Gardner, Certified Public Accountants, LLC*

Mansfield, LA  
November 29, 2018