

TOWN OF IOWA, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2017

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TOWN OF IOWA, LOUISIANA
 ANNUAL FINANCIAL REPORT
 Year Ended June 30, 2017

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TOWN OF IOWA, LOUISIANA

June 30, 2017

MAYOR

The Honorable Carol Ponthieux

TOWN COUNCIL

Mr. Gerald Guidry
Ms. Julie Fontenot
Mr. Larry Hardy

Mr. Erroll Marshall
Mr. Thomas Talbot

LEGAL COUNSEL

Mr. Eugene Bouquet

TOWN CLERK

Ms. Sandra Turley

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04368.000 Audit 6/30/2017 1100.001 financial report

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council
Town of Iowa
Iowa, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Iowa, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Iowa, Louisiana as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Sales Tax - Water Improvements, Sales Tax II - Streets and Sales Tax III for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Employer's Proportionate Share of Net Pension Liability and the Schedule of Employer's Pension Contributions on pages 60 and 61 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Iowa, Louisiana's basic financial statements. The introductory section, combining nonmajor fund financial statements and the Schedule of Compensation, Benefits and Other Payments to Mayor are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the Schedule of Compensation, Benefits and Other Payments to Mayor are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the Schedule of Compensation, Benefits and Other Payments to Mayor are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, on our consideration of the Town of Iowa, Louisiana's internal control over financial reporting and our test 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 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* in considering Town of Iowa, Louisiana's internal control over financial reporting and compliance.

Under Louisiana Revised Statute 24:513, this report is distributed by the
Legislative Auditor as a public document.

M^c Elroy, Quirk & Burch

Lake Charles, Louisiana
December 18, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF IOWA, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF NET POSITION
June 30, 2017

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,966,322	\$ 267,854	\$ 3,234,176
Certificates of deposit	176,865	-	176,865
Investments	5,963,978	713,737	6,677,715
Receivables (net, where applicable, of allowance for uncollectibles):			
Taxes	806	-	806
Accounts	113,101	75,615	188,716
Internal balance	(641)	641	-
Prepaid expenses	-	12,207	12,207
Deposits	-	100	100
Restricted assets:			
Customers' deposits-cash	-	113,648	113,648
Construction deposit	5,000	-	5,000
Capital assets:			
Land, improvements and construction in progress	259,282	4,002	263,284
Other capital assets, net of depreciation	2,895,922	2,460,574	5,356,496
Total assets	<u>12,380,635</u>	<u>3,648,378</u>	<u>16,029,013</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	<u>252,584</u>	<u>89,118</u>	<u>341,702</u>
 <u>LIABILITIES</u>			
Accounts payables	90,281	46,684	136,965
Accrued leave payable	26,567	-	26,567
Retainage payable	20,805	-	20,805
Other payables	35,223	5,048	40,271
Payable from restricted assets:			
Customer deposits	-	113,648	113,648
Construction deposit payable	5,000	-	5,000
Noncurrent liabilities:			
Due within one year	8,213	-	8,213
Due in more than one year	8,747	-	8,747
Net pension liability	<u>579,079</u>	<u>204,813</u>	<u>783,892</u>
Total liabilities	<u>773,915</u>	<u>370,193</u>	<u>1,144,108</u>

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TOWN OF IOWA, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF NET POSITION
June 30, 2017
(Continued)

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to pensions	<u>45,172</u>	<u>27,403</u>	<u>72,575</u>
 <u>NET POSITION</u>			
Investment in capital assets, net of related debt	3,138,244	2,464,576	5,602,820
Restricted for:			
Special revenue	6,800,349	-	6,800,349
Capital projects	14,458	-	14,458
Unrestricted	<u>1,861,081</u>	<u>875,324</u>	<u>2,736,405</u>
Total net position	<u>\$ 11,814,132</u>	<u>\$ 3,339,900</u>	<u>\$ 15,154,032</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Government activities:				
General government	\$ 577,329	\$ 223,754	\$ 386,872	\$ -
Public safety	1,566,403	931,635	30,177	-
Highway and streets	245,539	-	-	-
Culture and recreation	17,417	-	16,000	-
Drainage	261,854	-	150,000	-
Total governmental activities	<u>2,668,542</u>	<u>1,155,389</u>	<u>583,049</u>	<u>-</u>
Business-type activities:				
Water utility	498,808	389,405	-	-
Sanitation	781,822	691,409	-	-
Total business-type activities	<u>1,280,630</u>	<u>1,080,814</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 3,949,172</u>	<u>\$ 2,236,203</u>	<u>\$ 583,049</u>	<u>\$ -</u>

General revenues:

Ad valorem taxes
Sales taxes
Franchise taxes
Gaming taxes
Other taxes
Intergovernmental
Interest earned
Miscellaneous

Transfers

Total general revenues
and transfers

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to financial statements

Net (Expenses) Revenue and
Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 33,297	\$ -	\$ 33,297
(604,591)	-	(604,591)
(245,539)	-	(245,539)
(1,417)	-	(1,417)
<u>(111,854)</u>	<u>-</u>	<u>(111,854)</u>
<u>(930,104)</u>	<u>-</u>	<u>(930,104)</u>
-	(109,403)	(109,403)
<u>-</u>	<u>(90,413)</u>	<u>(90,413)</u>
<u>-</u>	<u>(199,816)</u>	<u>(199,816)</u>
<u>\$ (930,104)</u>	<u>\$ (199,816)</u>	<u>\$ (1,129,920)</u>
\$ 193,320	\$ -	\$ 193,320
1,889,602	-	1,889,602
207,306	-	207,306
140,583	-	140,583
11,212	-	11,212
16,862	-	16,862
29,692	3,205	32,897
51,620	9,298	60,918
<u>(446,294)</u>	<u>446,294</u>	<u>-</u>
<u>2,093,903</u>	<u>458,797</u>	<u>2,552,700</u>
1,163,799	258,981	1,422,780
<u>10,650,333</u>	<u>3,080,919</u>	<u>13,731,252</u>
<u>\$ 11,814,132</u>	<u>\$ 3,339,900</u>	<u>\$ 15,154,032</u>

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FUND FINANCIAL STATEMENTS

TOWN OF IOWA, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

<u>ASSETS</u>	<u>General</u>	<u>Water Improvements</u>	<u>Streets II</u>
Cash	\$ 884,370	\$ 409,010	\$ 499,118
Certificate of deposit	-	-	-
Investments	1,321,261	3,325,504	713,908
Receivables (net, where applicable, of allowance for uncollectibles):			
Taxes	204	-	-
Accounts	113,101	-	-
Due from other funds	186	-	-
Restricted assets:			
Construction deposit	5,000	-	-
	<u>5,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,324,122</u>	<u>\$ 3,734,514</u>	<u>\$ 1,213,026</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 28,290	\$ 481	\$ 8,951
Retainage payable	-	-	9,975
Other payables	30,758	-	2,034
Payable from restricted assets:			
Construction deposit payable	5,000	-	-
Due to other funds	827	-	-
Total liabilities	<u>64,875</u>	<u>481</u>	<u>20,960</u>
Fund balances:			
Restricted for:			
Water improvements	-	3,734,033	-
Streets	-	-	1,192,066
Flood control, economic development and capital improvements to City Hall	-	-	-
Parks and streets	-	-	-
Police drug enforcement	-	-	-
Fire protection	-	-	-
Sewer projects	-	-	-
Unassigned	2,259,247	-	-
Total fund balances	<u>2,259,247</u>	<u>3,734,033</u>	<u>1,192,066</u>
Total liabilities and fund balances	<u>\$ 2,324,122</u>	<u>\$ 3,734,514</u>	<u>\$ 1,213,026</u>

Amounts reported for governmental activities in the statement of net position is different because:
Total fund balance - total governmental funds
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds
Amounts related to pension recognition are not due and payable in the current period and, therefore, are not reported in the funds
Long-term liabilities, including bonds payable and accrued leave, are not due and payable in the current period and, therefore, are not reported in the funds

Total net position - governmental activities

See accompanying notes to financial statements

Sales Tax III	Non-Major Governmental Funds	Total Governmental Funds
\$ 805,832	\$ 367,992	\$ 2,966,322
-	176,865	176,865
603,305	-	5,963,978
-	602	806
-	-	113,101
-	-	186
-	-	5,000
<u>\$ 1,409,137</u>	<u>\$ 545,459</u>	<u>\$ 9,226,258</u>

\$ 50,881	\$ 1,678	\$ 90,281
10,830	-	20,805
-	2,431	35,223
-	-	5,000
-	-	827
<u>61,711</u>	<u>4,109</u>	<u>152,136</u>

-	-	3,734,033
-	-	1,192,066
1,347,426	-	1,347,426
-	324,596	324,596
-	5,022	5,022
-	197,206	197,206
-	14,458	14,458
-	68	2,259,315
<u>1,347,426</u>	<u>541,350</u>	<u>9,074,122</u>
<u>\$ 1,409,137</u>	<u>\$ 545,459</u>	<u>\$ 9,226,258</u>

\$ 9,074,122

3,155,204

(371,667)

(43,527)

\$ 11,814,132

TOWN OF IOWA, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2017

		<u>Special Revenue</u>	
		Water	
	<u>General</u>	<u>Improvements</u>	<u>Streets II</u>
Revenues:			
Tax revenue	\$ 700,206	\$ 609,006	\$ 489,640
Licenses and permits	197,351	-	-
Intergovernmental	403,735	-	-
Charges for services	16,022	-	-
Fines and forfeits	942,015	-	-
Interest earned	5,191	15,699	4,592
Fire insurance	-	-	-
Grants	12,921	-	-
Miscellaneous	37,603	-	-
Total revenues	<u>2,315,044</u>	<u>624,705</u>	<u>494,232</u>
Expenditures:			
Current:			
General government	396,786	-	25,298
Public safety	1,564,565	-	-
Highways and streets	-	-	418,325
Culture and recreation	-	-	-
Fire protection district	-	-	-
Drainage	-	-	-
Other services and charges	-	54,577	-
Total expenditures	<u>1,961,351</u>	<u>54,577</u>	<u>443,623</u>
Excess (deficiency) of revenues over expenditures	<u>353,693</u>	<u>570,128</u>	<u>50,609</u>
Other financing sources (uses):			
Operating transfers in	120,000	-	-
Operating transfers out	(38,166)	(194,918)	(252,841)
Total other financing sources (uses)	<u>81,834</u>	<u>(194,918)</u>	<u>(252,841)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	435,527	375,210	(202,232)
Fund balance at beginning of year	<u>1,823,720</u>	<u>3,358,823</u>	<u>1,394,298</u>
Fund balance at end of year	<u>\$ 2,259,247</u>	<u>\$ 3,734,033</u>	<u>\$ 1,192,066</u>

See accompanying notes to financial statements

<u>Sales Tax III</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 376,646	\$ 266,525	\$ 2,442,023
-	-	197,351
-	2,936	406,671
-	-	16,022
-	-	942,015
3,403	807	29,692
-	14,319	14,319
166,000	-	178,921
-	500	38,103
<u>546,049</u>	<u>285,087</u>	<u>4,265,117</u>
102,070	4,500	528,654
-	-	1,564,565
-	-	418,325
1,536	135,046	136,582
-	132,198	132,198
509,440	-	509,440
3,600	-	58,177
<u>616,646</u>	<u>271,744</u>	<u>3,347,941</u>
<u>(70,597)</u>	<u>13,343</u>	<u>917,176</u>
-	39,631	159,631
-	(120,000)	(605,925)
-	(80,369)	(446,294)
(70,597)	(67,026)	470,882
<u>1,418,023</u>	<u>608,376</u>	<u>8,603,240</u>
<u>\$ 1,347,426</u>	<u>\$ 541,350</u>	<u>\$ 9,074,122</u>

TOWN OF IOWA, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

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

Net change in fund balance - total governmental funds	\$ 470,882
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	716,650
Net effect of pension liability recognition	(26,419)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	16,942
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	<u>(14,256)</u>
Change in net position of governmental activities	<u>\$ 1,163,799</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts			Variance With Final Budget Positive (Unfavorable)
	Original	Final	Actual	
Revenues:				
Tax revenue	\$ 620,000	\$ 620,000	\$ 700,206	\$ 80,206
Licenses and permits	151,700	151,700	197,351	45,651
Intergovernmental	364,500	364,500	403,735	39,235
Charges for services	20,900	20,900	16,022	(4,878)
Fines and forfeits	851,800	851,800	942,015	90,215
Interest earned	3,000	3,000	5,191	2,191
Grants received	25,000	25,000	12,921	(12,079)
Miscellaneous	7,000	7,000	37,603	30,603
Total revenues	2,043,900	2,043,900	2,315,044	271,144
Expenditures:				
Current:				
General government	395,550	395,550	396,786	(1,236)
Public safety	1,499,975	1,603,401	1,564,565	38,836
Total expenditures	1,895,525	1,998,951	1,961,351	37,600
Excess (deficiency) of revenues over expenditures	148,375	44,949	353,693	308,744
Other financing sources (uses):				
Operating transfers in (out)	120,000	120,000	81,834	(38,166)
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	268,375	164,949	435,527	270,578
Fund balance at beginning of year	1,823,720	1,823,720	1,823,720	-
Fund balance at end of year	\$ 2,092,095	\$ 1,988,669	\$ 2,259,247	\$ 270,578

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
SALES TAX - WATER IMPROVEMENTS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts			Variance With Final Budget Positive (Unfavorable)
	Original	Final	Actual	
Revenues:				
Tax revenue	\$ 554,700	\$ 554,700	\$ 609,006	\$ 54,306
Interest earned	<u>5,500</u>	<u>5,500</u>	<u>15,699</u>	<u>10,199</u>
Total revenues	560,200	560,200	624,705	64,505
Expenditures:				
Current:				
Other services and charges	<u>51,000</u>	<u>51,000</u>	<u>54,577</u>	<u>(3,577)</u>
Excess (deficiency) of revenues over expenditures	509,200	509,200	570,128	60,928
Other financing sources (uses):				
Operating transfers out	<u>(540,000)</u>	<u>(540,000)</u>	<u>(194,918)</u>	<u>345,082</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	(30,800)	(30,800)	375,210	406,010
Fund balance at beginning of year	<u>3,358,823</u>	<u>3,358,823</u>	<u>3,358,823</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,328,023</u>	<u>\$ 3,328,023</u>	<u>\$ 3,734,033</u>	<u>\$ 406,010</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
SALES TAX II - STREETS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts			Variance With Final Budget Positive (Unfavorable)
	Original	Final	Actual	
Revenues:				
Tax revenue	\$ 450,700	\$ 450,700	\$ 489,640	\$ 38,940
Interest earned	<u>1,300</u>	<u>1,300</u>	<u>4,592</u>	<u>3,292</u>
Total revenues	<u>452,000</u>	<u>452,000</u>	<u>494,232</u>	<u>42,232</u>
Expenditures:				
Current:				
General government	50,000	50,000	25,298	24,702
Highways and streets	<u>633,900</u>	<u>633,900</u>	<u>418,325</u>	<u>215,575</u>
Total expenditures	<u>683,900</u>	<u>683,900</u>	<u>443,623</u>	<u>240,277</u>
Excess (deficiency) of revenues over expenditures	(231,900)	(231,900)	50,609	282,509
Other financing sources (uses):				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>(252,841)</u>	<u>(252,841)</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	(231,900)	(231,900)	(202,232)	29,668
Fund balance at beginning of year	<u>1,394,298</u>	<u>1,394,298</u>	<u>1,394,298</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,162,398</u>	<u>\$ 1,162,398</u>	<u>\$ 1,192,066</u>	<u>\$ 29,668</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
SALES TAX III

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Tax revenue	\$ 347,000	\$ 347,000	\$ 376,646	\$ 29,646
Interest earned	3,000	3,000	3,403	403
Grants received	<u>166,000</u>	<u>166,000</u>	<u>166,000</u>	<u>-</u>
Total revenues	<u>516,000</u>	<u>516,000</u>	<u>546,049</u>	<u>30,049</u>
Expenditures:				
Current:				
General government	595,850	595,850	102,070	493,780
Culture and recreation	350,000	350,000	1,536	348,464
Drainage	400,000	400,000	509,440	(109,440)
Other services and charges	<u>8,000</u>	<u>8,000</u>	<u>3,600</u>	<u>4,400</u>
Total expenditures	<u>1,353,850</u>	<u>1,353,850</u>	<u>616,646</u>	<u>737,204</u>
Excess (deficiency) of revenues over expenditures	(837,850)	(837,850)	(70,597)	767,253
Fund balance at beginning of year	<u>1,418,023</u>	<u>1,418,023</u>	<u>1,418,023</u>	<u>-</u>
Fund balance at end of year	<u>\$ 580,173</u>	<u>\$ 580,173</u>	<u>\$ 1,347,426</u>	<u>\$ 767,253</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF NET POSITION
 June 30, 2017

ASSETS

Cash and cash equivalents	\$	267,854
Investments		713,737
Receivables (net, where applicable, of allowance for uncollectibles):		
Accounts		75,615
Due from other funds		641
Prepaid expenses		12,207
Deposits		100
Restricted assets:		
Customers' deposits-cash		113,648
Capital assets:		
Land, improvements and construction in progress		4,002
Other capital assets, net of depreciation		<u>2,460,574</u>
Total assets		<u>3,648,378</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions		<u>89,118</u>
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LIABILITIES

Accounts payable		46,684
Other payables		5,048
Payable from restricted assets:		
Customer deposits		113,648
Net pension liability		<u>204,813</u>
Total liabilities		<u>370,193</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions		<u>27,403</u>
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NET POSITION

Investment in capital assets, net of related debt		2,464,576
Unrestricted		<u>875,324</u>
Total net position		<u>\$ 3,339,900</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
 Year Ended June 30, 2017

Operating revenues:	
Charges for services	<u>\$ 1,080,814</u>
Operating expenses:	
Salaries	246,747
Insurance	60,544
Repairs, maintenance and supplies	111,877
Utilities	67,945
Other services and charges	427,493
Depreciation	<u>366,024</u>
Total operating expenses	<u>1,280,630</u>
Operating (loss)	<u>(199,816)</u>
Nonoperating revenues (expenses):	
Interest earned	3,205
Miscellaneous	<u>9,298</u>
Total nonoperating revenues	<u>12,503</u>
(Loss) before transfers	(187,313)
Operating transfers in	<u>446,294</u>
Change in net position	258,981
Net position at beginning of year	<u>3,080,919</u>
Net position at end of year	<u>\$ 3,339,900</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF CASH FLOWS
 Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,100,735
Cash payments to suppliers for goods and services	(625,898)
Cash payments to employees for services	(242,855)
Net cash provided by operating activities	<u>231,982</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer from other funds (net)	446,294
Interfund payable decrease	12,407
Net cash provided by noncapital financing activities	<u>458,701</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Miscellaneous proceeds received	9,298
Acquisition of fixed assets	(414,916)
Net cash (used in) capital and related financing activities	<u>(405,618)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of interest	3,205
Purchase of investments	(652,746)
Net cash provided by investing activities	<u>(649,541)</u>
Net (increase) in cash and cash equivalents	(364,476)
Cash and cash equivalents:	
Beginning of year	<u>745,978</u>
End of year	<u>\$ 381,502</u>
Cash and cash equivalents at end of year consisted of:	
Unrestricted cash	\$ 267,854
Restricted cash	<u>113,648</u>
	<u>\$ 381,502</u>

(continued on next page)

TOWN OF IOWA, LOUISIANA
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

RECONCILIATION OF OPERATING (LOSS) TO NET CASH	
PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ (199,816)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	366,024
Changes in assets and liabilities:	
Decrease in accounts receivable and other receivables	8,555
Increase in accounts payable and other payables	41,961
Increase in customer deposits	11,366
(Decrease) in net pension liability	(4,534)
Changes in deferred inflows and outflows of resources:	
(Increase) in deferred outflows related to pensions	(13,005)
Increase in deferred inflows related to pensions	<u>21,431</u>
Net cash provided by operating activities	<u>\$ 231,982</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies

The Town of Iowa, Louisiana was incorporated June 26, 1952, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The accounting and reporting policies of the Town of Iowa, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and Town Council of the Town of Iowa, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 and No. 61 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Consistent with these criteria, the Town of Iowa, Louisiana has determined that the Fire Protection District No. 1 of Ward 8 of Calcasieu Parish is a component unit of the Town.

B. Basis of Presentation

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 primary government.

The Statement of Net Position and the Statement of Activities report financial information for the Town as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into three broad fund categories as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specified sources" establishes that one or more specific restricted or committed revenues shall be the foundation for a special revenue fund.

Capital Projects Funds - These funds account for and report financial resources that are restricted, committed, or assigned for capital acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUNDS

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

C. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary fund, also in the fund financial statements, is accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet. The operating statements for the proprietary fund present increases or decreases in net total assets.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

E. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund balances:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net position:

Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

F. Budgets and Budgetary Accounting

The Mayor and Town Clerk prepare a proposed budget and submit same to the Town Council prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them.

A summary of the proposed budget is published, a public hearing is held, and the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is adopted.

Any revisions that alter total expenditures of any fund must be approved by the Councilmen. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. All budgetary appropriations lapse at the end of each fiscal year.

Budgets for the General and Special Revenue Funds are adopted on a modified accrual basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Town Council.

Encumbrance accounting is not used.

G. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and certificates of deposit. The Town considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Certificates of deposit are stated at cost. At June 30, 2017, the Town had no cash equivalents.

Louisiana State Statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at cost.

H. Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the receivable.

I. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

J. Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,500.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Plant	10 to 33 years
Machinery and equipment	5 to 10 years
Furniture and fixtures	5 to 10 years

K. Accumulated Unpaid Sick Pay

Accumulated unpaid sick pay was not considered material at June 30, 2017 and is not reflected in these financial statements.

L. Property Taxes

Property taxes levied in any one year are recognized as revenues of that year.

Note 2. Cash, Cash Equivalents and Investments

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement which is approved by the Town Council, the Town of Iowa maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district. The Town's bank demand and time deposits at year end were fully collateralized.

The deposits at June 30, 2017 are as follows:

June 30, 2017	<u>Demand Deposits</u>	<u>Time Deposits</u>
Carrying amount	\$ <u>3,347,019</u>	\$ <u>176,865</u>
Bank balances:		
a. Federally insured	\$ 779,038	\$ 176,865
b. Collateralized by securities held by the pledging financial institution	2,819,089	-
c. Uncollateralized and uninsured	<u>-</u>	<u>-</u>
Total bank balances	\$ <u>3,598,127</u>	\$ <u>176,865</u>

Investments held at June 30, 2017, consist of \$6,682,715 in the Louisiana Asset Management Pool Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). Of this amount, \$5,000 was restricted for a construction deposit. LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Interest rate risk. 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.

Credit risk. State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices. As of December 31, 2016, the Town's investment in LAMP was rated AAAM by Standard & Poor's.

Concentration of credit risk. The Town places no limit on the amount the Town may invest in any one issuer. All of the Town's investments are in LAMP.

As of June 30, 2017, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificates of deposit	\$ 176,865	\$ 176,865	\$ -	\$ -	\$ -
LAMP	6,682,715	6,682,715	-	-	-
	<u>\$ 6,859,580</u>	<u>\$ 6,859,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3. Individual Fund Transactions

Individual fund interfund receivables and payables are as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ -	\$ 641
Water Utility Fund	<u>641</u>	<u>-</u>
	<u>\$ 641</u>	<u>\$ 641</u>

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Water Utility Fund	\$ -	\$ 38,166
Non-major Governmental Fund	<u>120,000</u>	<u>-</u>
Total General Fund	<u>120,000</u>	<u>38,166</u>
Sales Tax Water Improvements:		
Water Utility Fund	<u>-</u>	<u>194,918</u>
Streets II:		
Water Utility Fund	-	213,210
Non-major Governmental Fund	<u>-</u>	<u>39,631</u>
Total Streets II	<u>-</u>	<u>252,841</u>
Water Utility Fund:		
General Fund	38,166	-
Sales Tax Water Improvements	194,918	-
Streets II	<u>213,210</u>	<u>-</u>
Total Water Utility fund	<u>446,294</u>	<u>-</u>
Non-major Governmental Funds:		
General Fund	-	120,000
Streets II	<u>39,631</u>	<u>-</u>
Total Non-major Governmental Funds	<u>39,631</u>	<u>120,000</u>
Grand totals	<u>\$ 605,925</u>	<u>\$ 605,925</u>

Note 4. Restricted Assets

Restricted assets were applicable to the following at June 30, 2017:

General Fund:		
Construction deposit		\$ 5,000
Enterprise Fund:		
Customers deposits-water and sewer maintenance services		113,648

Note 5. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 134,670	\$ -	\$ -	\$ 134,670
Construction in progress	<u>-</u>	<u>124,612</u>	<u>-</u>	<u>124,612</u>
Total capital assets not being depreciated	<u>134,670</u>	<u>124,612</u>	<u>-</u>	<u>259,282</u>
Capital assets being depreciated:				
Buildings	2,226,890	-	-	2,226,890
Improvements other than buildings	577,183	6,255	-	583,438
Furniture and equipment	1,576,277	118,435	27,575	1,667,137
Vehicles	1,082,921	251,890	19,811	1,315,000
Infrastructure	<u>1,348,367</u>	<u>506,085</u>	<u>-</u>	<u>1,854,452</u>
Total capital assets being depreciated	<u>6,811,638</u>	<u>882,665</u>	<u>47,386</u>	<u>7,646,917</u>
Less accumulated depreciation for:				
Buildings	1,069,856	38,324	-	1,108,180
Improvements other than buildings	252,532	45,502	-	298,034
Furniture and equipment	1,387,126	65,305	27,575	1,424,856
Vehicles	840,668	89,415	19,811	910,272
Infrastructure	<u>957,568</u>	<u>52,085</u>	<u>-</u>	<u>1,009,653</u>
Total accumulated depreciation	<u>4,507,750</u>	<u>290,631</u>	<u>47,386</u>	<u>4,750,995</u>
Capital assets, being depreciated, net	<u>2,303,888</u>	<u>592,034</u>	<u>-</u>	<u>2,895,922</u>
Government activities capital assets, net	<u>\$ 2,438,558</u>	<u>\$ 716,646</u>	<u>\$ -</u>	<u>\$ 3,155,204</u>

	Beginning of Year	Additions	Deletions	End of Year
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 4,002	\$ -	\$ -	\$ 4,002
Capital assets being depreciated:				
Plant and equipment	10,273,264	414,916	-	10,688,180
Machinery	365,645	-	-	365,645
Furniture and fixtures	6,360	-	-	6,360
Total capital assets being depreciated	<u>10,645,269</u>	<u>414,916</u>	<u>-</u>	<u>11,060,185</u>
Less accumulated depreciation for:				
Plant and equipment	8,046,059	330,274	-	8,376,333
Machinery	181,168	35,750	-	216,918
Furniture and fixtures	6,360	-	-	6,360
Total accumulated depreciation	<u>8,233,587</u>	<u>366,024</u>	<u>-</u>	<u>8,599,611</u>
Capital assets, being depreciated, net	<u>2,411,682</u>	<u>48,892</u>	<u>-</u>	<u>2,460,574</u>
Business-type activities capital assets, net	<u>\$ 2,415,684</u>	<u>\$ 48,892</u>	<u>\$ -</u>	<u>\$ 2,464,576</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 50,712
Public safety	126,555
Highway and streets	37,277
Culture and recreation	15,562
Drainage	<u>60,525</u>
Total depreciation	<u>\$ 290,631</u>

Note 6. Capital Leases

The Town has financing leases for equipment that qualify as capital leases. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of the assets under capital lease is included in depreciation expense for the year ended June 30, 2017.

The following is a summary of property held under capital lease at June 30, 2017:

Vehicles	\$ 26,276
Less accumulated amortization	<u>3,941</u>
	<u>\$ 22,335</u>

The following is a summary of long-term liability under capital lease at June 30, 2017:

Long-term lease payable to Ford Motor Credit at 6.50% of \$26,276, payable in annual installments of \$9,316 each, due September 30, 2018. Lease is secured by equipment under the lease.	\$ 16,960
Less current liability under capital lease	<u>8,213</u>
	<u>\$ 8,747</u>

The following is a schedule of the future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2017:

<u>Year ending June 30,</u>	
2018	\$ 9,316
2019	9,316
Less amount representing interest	<u>(1,672)</u>
Present value of net minimum lease payments of which \$8,213 is included in current liabilities	<u>\$ 16,960</u>

Note 7. Ad Valorem Taxes

For the year ended June 30, 2017, taxes of 5.30 mills were levied by the Town of Iowa on property with assessed valuations totaling \$14,725,990 and were dedicated for general corporate purposes. Taxes of 9.40 mills were levied by the Fire Protection District No. 1 of Ward 8 of Calcasieu Parish on property with assessed valuations-net of exemptions totaling \$12,714,772 and were dedicated for the purpose of providing fire protection to the District.

Total taxes levied were \$78,048 and \$119,518 respectively for the Town and the District. Taxes receivable at June 30, 2017 consisted of the following:

	<u>2017</u>
Taxes receivable current roll	\$ 806
Taxes receivable prior years	<u>1,989</u>
	2,795
Allowance for uncollectible taxes	<u>(1,989)</u>
	<u>\$ 806</u>

Property taxes are levied November 1 and attach as an enforceable lien on property as of April 30.

Note 8. Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the Town Council) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major special revenue fund	Revenue source
Water improvements	80% of 1% sales tax described in Note 9 related to water improvements
Streets II	65% of 1% sales tax described in Note 9 related to street maintenance and construction
Streets III	½% sales tax described in Note 9 related to flood control, economic development and Town Hall and park capital improvement and maintenance
LCDBG	Capital projects funded by grants

Note 9. Dedication of Proceeds and Flow of Funds - 2.5% Sales and Use Tax

Proceeds of a 1% sales and use tax levied by the Town of Iowa, Louisiana approved by voters September 2016 to expire August 2026 (2017 collections \$755,688) is dedicated to the following purposes:

1. 80% of collections to be used for capital and other improvements of the Water Utility Fund.

Proceeds of a 1% sales and use tax levied by the Town of Iowa, Louisiana approved by voters in perpetuity beginning July 2016 (2017 collections \$755,688) are dedicated to the following purposes:

1. 65% of collections to be used for street, sidewalk, street lighting maintenance and construction, and sewerage treatment facilities maintenance and construction.
2. 35% of collections to be used for general administrative and general fund needs.

Proceeds of a 1/2% sales and use tax levied by the Town of Iowa, Louisiana approved by voters July 2012 to expire June 2022 (2017 collections \$377,844) are dedicated to the following purposes:

1. Flood control maintenance and flood control purposes.
2. Economic development activities.
3. Capital improvements and maintenance to the Town Hall and Town Park.

Note 10. Pension Plans

Plan Descriptions

Substantially all employees of the Town of Iowa are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana (MERS) or Municipal Police Employees Retirement System of Louisiana (MPERS). These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual, publicly-available financial reports that include financial statements and required supplementary information for the systems. The reports for MERS and MPERS may be obtained at www.mersla.com and www.lampers.org, respectively.

Plan Description- MERS

MERS was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana and is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Town of Iowa are members of Plan B. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in MERS.

Plan Description- MPERS

All full-time police department employees engaged in law enforcement are required to participate in MPERS providing he or she does not have to pay social security and providing he or she meets the statutory criteria. MPERS provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through MPERS in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

Benefits Provided

Retirement Benefits- MERS

Any member of Plan B hired before January 1, 2013 may retire at any age with 30 years of creditable service or at age 60 with at least 10 years of creditable service. Any member of Plan B hired on or after January 1, 2013 may retire at age 67 with at least 7 years of creditable service, at age 62 with at least 10 years of creditable service, or at age 55 with at least 30 years of creditable service. Members hired on or after January 1, 2013 are also eligible to retire at any age with at least 25 years of creditable service, but their benefit will be actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any of the previously-mentioned provisions, if the member had continued in service to that age. Members are entitled to a retirement benefit, payable monthly for life, equal to 2% of the member's final compensation (defined below) multiplied by the member's years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

Final compensation is the employee's average salary over the 36 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system on or before June 30, 2006. Final compensation is the employee's average salary over the 60 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system after June 30, 2006. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

Retirement Benefits- MPERS

Members of MPERS with membership beginning prior to January 1, 2013 are eligible for regular retirement after he or she has been a member of MPERS and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years of creditable service and is age 55. A member is eligible for early retirement after he or she has been a member of MPERS for 20 years of creditable service at any age with an actuarially reduced benefit. Members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent (3.33%) of the member's final compensation (employee's average salary over the 36 consecutive or joined months that produce the highest average) multiplied by the member's years of creditable service.

Members of MPERS with membership beginning on or after January 1, 2013 are eligible for regular retirement, early retirement, disability and survivor benefits based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he or she has been a member of MPERS and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he or she has been a member of MPERS and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he or she has been a member of MPERS for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

In 1999, the State Legislature authorized MPERS to establish an Initial Benefit Option program. This is available to MPERS members who are eligible for regular retirement but have not participated in DROP. This program provides both a one-time single sum payment of up to 46 months of the regular monthly retirement benefit, plus a reduced monthly retirement benefit for life.

Deferred Retirement Options

In lieu of terminating employment and accepting a service retirement allowance, any member of MERS who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. A MERS member may participate in DROP only once. During participation in the plan, employer contributions are payable, but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment, are credited to the MERS member's individual DROP account. Interest is earned when the member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the member may receive a lump sum from the account or a true annuity based on the account balance. If employment is not terminated at the end of the three year DROP participation period, payments into the DROP account cease and the person resumes active contributing membership in MERS.

A member of MPERS is eligible to enter DROP when he or she is eligible for regular retirement based on the members' sub plan participation. At the entry date into DROP, employee and employer contributions cease. The amount deposited into the DROP account for

MPERS members is equal to the benefit computed under the retirement plan elected by participant date of application. Interest is earned when the MPERS member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the MPERS member may receive a lump sum from the account or a true annuity based on the account balance.

Disability Benefits

A member of MERS Plan B is eligible to retire and receive a disability benefit if he or she has at least 10 years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. The monthly maximum retirement benefit under Plan B of MERS is the lesser of an amount equal to two percent of member's final compensation multiplied by years of service (not less than 30% of member's final compensation) or an amount equal to what the member's normal retirement benefit would be based on final compensation at time of disability, but assuming continuous service until member's earliest normal retirement age.

A member of MPERS is eligible to retire and receive a disability benefit if he or she has been certified as disabled by the State Medical Disability Board. If the disability incurred is job-related, there is no minimum creditable service requirement. If the disability is non-job-related, a minimum of 10 years of creditable service is required if the member was employed on or after July 1, 2008. Members of MPERS employed prior to July 1, 2008 must have a minimum of 5 years of creditable service to be eligible to retire with disability benefits if the disability incurred is non-job-related. The disability benefit received by a MPERS member is equal to three percent of his or her final average compensation multiplied by years of creditable service (not less than 40%, nor more than 60% of final average compensation). At the time the disabled MPERS member reaches normal retirement age, he or she will have the option to continue to receive the disability retirement benefit or to receive his or her vested retirement benefit.

Survivor's Benefit

The surviving spouse (defined as someone married to the deceased member for at least 12 months immediately preceding the member's death) of a MERS Plan B member (not eligible for retirement at the time of death) will receive a survivor benefit, provided that the member had 5 or more years of creditable service. The surviving spouse will be paid either a monthly benefit equal to 30% of member's final compensation, payable when surviving spouse attains the age of 60 or becomes disabled, or a monthly benefit equal to actuarial equivalent of the benefit described previously (not less than 15% of

member's final compensation), payable upon the death of the member. A MERS Plan B member who is eligible for normal retirement at the time of death will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse upon the date of death. Benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Survivor benefits for MPERS members are payable to the surviving spouse or surviving minor child/children of a deceased active contributing member or a deceased disability retiree. Survivor benefits are not payable to survivors of retirees receiving benefits under the provisions of early or normal service retirement. The maximum benefit for a surviving spouse of a MPERS member is equal to the regular retirement formula, regardless of age, but not less than 40% or more than 60% of the deceased member's final average compensation. There is no requirement for minimum years of creditable service. If the MPERS member is killed in the line of duty, the surviving spouse shall receive a benefit equal to 100% of the deceased member's final average compensation, less any survivor benefits payable to a child or children. Each surviving minor child of the MPERS member will receive a benefit equal to 10% of deceased member's final average compensation or \$200 per month, whichever is greater. Benefits for a surviving child cease upon the child's attainment of age 18 or upon marriage, whichever occurs first. The benefit may continue after age 18 if the child meets certain educational or disability requirements. The surviving minor child may receive an increased benefit if there is no surviving spouse of the MPERS member.

Cost of Living Increases

MERS is authorized under state law to grant an annual cost of living adjustment to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit and may only be granted if sufficient funds are available. The cost of living increase must be paid from investment income in excess of normal requirements.

MPERS is authorized to provide annual cost of living adjustments to members who have been retired for at least one full fiscal year. The adjustment cannot exceed 3% in any given year. MPERS members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Contributions

The MERS and MPERS employer contribution rates are established annually under La R.S 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. For the year ending June 30, 2017 the employer contribution rate for MERS Plan B was 11% and MPERS was 31.75%. Employer contributions to MERS and MPERS were \$44,557 and \$31,010, respectively, for the year ended June 30, 2017. Employees participating in MERS are required to contribute 5.00% and employees participating in MPERS are required to contribute 10.00%.

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. MERS receives ad valorem taxes and state revenue sharing funds. MPERS receives insurance premium tax monies appropriated by the legislature each year based on an actuarial study. The Town of Iowa recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2017, the Town of Iowa recognized revenue as a result of support received from non-employer contributing entities of \$12,168 for its participation in MERS and \$7,429 for its participation in MPERS.

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

At June 30, 2017, the Town of Iowa reported a liability for MERS and MPERS of \$409,626 and \$374,266, respectively, for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2016 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The Town of Iowa's proportion of the net pension liability for each retirement system was based on a projection of the Town of Iowa's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town of Iowa's proportion for MERS and MPERS was 0.494175% and 0.039931%, respectively. This reflects a decrease for MERS of (0.121871%) and an increase for MPERS of 0.004871% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Town of Iowa recognized pension expense, for which there were no forfeitures, as follows:

	<u>Pension Expense</u>
MERS	\$ 64,508
MPERS	<u>60,967</u>
Total	<u>\$ 125,475</u>

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

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>MERS</u>	<u>MPERS</u>	<u>Total</u>	<u>MERS</u>	<u>MPERS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 3,360	\$ -	\$ 3,360	\$ 5,918	\$ 5,954	\$ 11,872
Changes in assumptions	20,412	18,197	38,609	-	23	23
Net difference between projected and actual earnings on pension plan investments	100,406	57,590	157,996	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,499	56,670	66,169	48,887	11,792	60,679
Employer contributions subsequent to measurement date	44,557	31,010	75,567	-	-	-
Total	<u>\$178,234</u>	<u>\$163,467</u>	<u>\$341,701</u>	<u>\$ 54,805</u>	<u>\$ 17,769</u>	<u>\$ 72,574</u>

During the year ended June 30, 2017, employer contributions totaling \$44,557 and \$31,010 were made subsequent to the measurement date for MERS and MPERS, respectively. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	<u>MERS</u>	<u>MPERS</u>
2018	\$ 24,941	\$ 31,104
2019	21,757	28,543
2020	16,890	40,414
2021	<u>15,284</u>	<u>14,627</u>
Total	<u>\$ 78,872</u>	<u>\$ 114,688</u>

Actuarial Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of MERS and MPERS employers as of June 30, 2016 are as follows:

	<u>MERS Plan B</u>	<u>MPERS</u>
Total pension liability	\$ 226,092,430	\$ 2,760,140,132
Plan fiduciary net position	<u>143,201,586</u>	<u>1,822,858,397</u>
Total net pension liability	<u>\$ 82,890,844</u>	<u>\$ 937,281,735</u>

The Town of Iowa's allocation is 0.494175% of the Total Net Pension Liability for MERS and 0.039931% of the Total Net Pension Liability for MPERS.

The total pension liabilities for MERS and MPERS in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	MERS	MPERS								
Actuarial cost method	Entry Age Normal	Entry Age Normal Cost								
Expected remaining service lives	4 years for Plan B	4 years								
Investment rate of return	7.50%, net of investment expense	7.5%, net of investment expense								
Inflation rate	2.875%	2.875%								
Projected salary increases	5.00% (2.875% inflation, 2.125% merit)	<table border="1"> <thead> <tr> <th><u>Years of Service</u></th> <th><u>Salary Growth Rate</u></th> </tr> </thead> <tbody> <tr> <td>1-2</td> <td>9.75%</td> </tr> <tr> <td>3-23</td> <td>4.75%</td> </tr> <tr> <td>24 & over</td> <td>4.25%</td> </tr> </tbody> </table>	<u>Years of Service</u>	<u>Salary Growth Rate</u>	1-2	9.75%	3-23	4.75%	24 & over	4.25%
<u>Years of Service</u>	<u>Salary Growth Rate</u>									
1-2	9.75%									
3-23	4.75%									
24 & over	4.25%									
Cost of living adjustments	None	None								
Mortality	RP-2000 Employee Table for active members (set back 2 years for males and females); RP-2000 Healthy Annuitant table for healthy annuitants (set forward 2 years for males and 1 year for females); RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)	RP-2000 Healthy Tables (set back 1 year for females) for healthy annuitants; RP-2000 Employee Table for active members (set back 4 years for males and 3 years for females); RP-2000 Disabled Lives Table (set back 5 years for males and 3 years for females) for disabled annuitants.								

The MERS and MPERS actuarial assumptions used were based on the results of separate experience studies for the period July 1, 2009 through June 30, 2014.

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return for MERS is 7.70% and MPERS is 8.25% for the year ended June 30, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for MERS and MPERS as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>MERS</u>	<u>MPERS</u>	<u>MERS</u>	<u>MPERS</u>
Equity	50%	53%	2.60%	3.69%
Fixed income	35%	21%	1.80%	0.49%
Alternatives	15%	20%	0.80%	1.11%
Other	<u>0%</u>	<u>6%</u>	<u>0.00%</u>	<u>0.21%</u>
Subtotal	<u>100%</u>	<u>100%</u>	5.20%	5.50%
Inflation adjustment			<u>2.50%</u>	<u>2.75%</u>
Total			<u>7.70%</u>	<u>8.25%</u>

Discount Rates

The discount rate used to measure the total pension liability for MERS was 7.50% and MPERS was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the actuary. Based on those assumptions, the net position of MERS and MPERS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the Town of Iowa's proportionate share of the net pension liability using the discount rate of 7.50% for MERS and 7.50% for MPERS, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50% for MERS and 6.50% for MPERS) or one percentage-point higher (8.50% for MERS and 8.50% for MPERS) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
MERS	\$ 529,905	\$ 409,626	\$ 307,004
MPERS	<u>498,929</u>	<u>374,266</u>	<u>269,600</u>
Total	<u>\$ 1,028,834</u>	<u>\$ 783,892</u>	<u>\$ 576,604</u>

Payables to the Pension Plans

At June 30, 2017, payables to MERS and MPERS were \$-0- and \$-0-, respectively, for June 2017 employee and employer legally-required contributions.

Note 11. Long-Term Obligations

The following is a summary of the long-term obligation activity for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Ending One Year</u>
Governmental activities:					
Leases payable	\$ 33,902	\$ 26,276	\$ 43,218	\$ 16,960	\$ 8,213
Net pension liabilities	<u>448,330</u>	<u>130,749</u>	<u>-</u>	<u>579,079</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 482,232</u>	<u>\$ 157,025</u>	<u>\$ 43,218</u>	<u>\$ 596,039</u>	<u>\$ 8,213</u>
Business-type activities:					
Net pension liabilities	<u>\$ 209,347</u>	<u>\$ -</u>	<u>\$ 4,534</u>	<u>\$ 204,813</u>	<u>\$ -</u>

Note 12. Compensation of Mayor and Members of the Town Council

Salaries paid to the Mayor and council members during the year are as follows:

Carol Ponthieux, Mayor	\$ 16,047
Julie Fontenot	2,545
Gerald Guidry	2,545
Larry Hardy	2,545
Errol Marshall	2,545
Thomas Talbot	2,545

The Board members of the Fire Protection District No. 1 of Ward 8 of Calcasieu Parish received no compensation during the year ended June 30, 2017.

Note 13. Subsequent Events

Subsequent events have been evaluated through December 18, 2017, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer's Proportionate
Share of the Net Pension Liability

Schedule of Employer's Pension
Contributions

TOWN OF IOWA, LOUISIANA

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
Year Ended June 30, 2017*

<u>Plan Year</u>	<u>Employer Proportionate of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of It's Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
MERS:					
2016	0.494175%	\$ 409,626	\$ 363,493	112.7%	63.34%
2015	0.616046%	418,694	414,050	101.1%	68.71%
2014	0.597262%	280,412	402,449	69.7%	76.94%
2013	0.563841%	309,807	385,690	80.3%	71.92%
MPERS:					
2016	0.039931%	374,266	103,879	360.3%	66.04%
2015	0.035060%	238,983	88,405	270.3%	70.73%
2014	0.033536%	209,804	88,595	236.8%	75.10%
2013	0.031509%	251,707	83,272	302.3%	66.71%

* The amounts presented have a measurement date of the previous fiscal year end.

** This schedule will contain ten years of historical information once such information becomes available

TOWN OF IOWA, LOUISIANA

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
Year Ended June 30, 2017

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a Percent of Covered Employee Payroll</u>
MERS:					
2017	\$ 44,557	\$ 44,557	\$ -	\$ 405,064	11.00%
2016	34,532	34,532	-	363,493	9.50%
2015	40,608	40,608	-	414,050	9.81%
2014	34,992	34,992	-	402,449	8.69%
MPERS:					
2017	\$ 31,010	\$ 31,010	\$ -	\$ 97,670	31.75%
2016	30,644	30,644	-	103,879	29.50%
2015	27,848	27,848	-	88,405	31.50%
2014	27,464	27,464	-	88,595	31.00%

* This schedule will contain ten years of historical information once such information becomes available

TOWN OF IOWA, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2017

Changes to benefit terms:

There were no changes in benefit terms for the measurement period ending June 30, 2016.

Changes of Assumptions:

There were no changes in assumptions for the measurement period ending June 30, 2016.

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Combining Balance Sheet
Combining Statement of
Revenues, Expenditures, and
Changes in Fund Balances

Schedule of Compensation Benefits
and Other Payments to Mayor

TOWN OF IOWA, LOUISIANA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

<u>ASSETS</u>	<u>Special Revenues</u>			
	<u>Parks and Streets</u>	<u>Police Asset Forfeitures</u>	<u>Sewer Improvement</u>	<u>Fire Protection</u>
Cash	\$ 319,405	\$ 5,022	\$ 68	\$ 29,039
Certificate of deposit	8,235	-	-	168,630
Taxes receivable	-	-	-	602
Total assets	<u>\$ 327,640</u>	<u>\$ 5,022</u>	<u>\$ 68</u>	<u>\$ 198,271</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payables	\$ 1,678	\$ -	\$ -	\$ -
Other payables	<u>1,366</u>	<u>-</u>	<u>-</u>	<u>1,065</u>
Total liabilities	3,044	-	-	1,065
Fund balance:				
Restricted	<u>324,596</u>	<u>5,022</u>	<u>68</u>	<u>197,206</u>
Total liabilities and fund balances	<u>\$ 327,640</u>	<u>\$ 5,022</u>	<u>\$ 68</u>	<u>\$ 198,271</u>

<u>Capital Project</u>	<u>Total Non-major Funds</u>
<u>LCDBG</u>	
\$ 14,458	\$ 367,992
-	176,865
<u>-</u>	<u>602</u>
<u>\$ 14,458</u>	<u>\$ 545,459</u>

\$ -	\$ 1,678
<u>-</u>	<u>2,431</u>
-	4,109

<u>14,458</u>	<u>541,350</u>
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<u>\$ 14,458</u>	<u>\$ 545,459</u>
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TOWN OF IOWA, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	Special Revenues			
	Parks and Streets	Police Asset Forfeitures	Sewer Improvement	Fire Protection
Revenues:				
Tax revenue	\$ 150,658	\$ -	\$ -	\$ 115,867
Interest earned	79	3	-	725
Intergovernmental	-	-	-	2,936
Fire insurance	-	-	-	14,319
Miscellaneous	-	-	-	500
Total revenues	<u>150,737</u>	<u>3</u>	<u>-</u>	<u>134,347</u>
Expenditures:				
General government	-	4,500	-	-
Fire protection district	-	-	-	132,198
Culture and recreation	<u>135,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>135,046</u>	<u>4,500</u>	<u>-</u>	<u>132,198</u>
Excess (deficiency) of revenues over expenditures	<u>15,691</u>	<u>(4,497)</u>	<u>-</u>	<u>2,149</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>15,691</u>	<u>(4,497)</u>	<u>-</u>	<u>(117,851)</u>
Fund balance at beginning of year	<u>308,905</u>	<u>9,519</u>	<u>68</u>	<u>315,057</u>
Fund balance at end of year	<u>\$ 324,596</u>	<u>\$ 5,022</u>	<u>\$ 68</u>	<u>\$ 197,206</u>

<u>Capital Project</u>	
<u>LCDBG</u>	<u>Total Non-major Funds</u>
\$ -	\$ 266,525
-	807
-	2,936
-	14,319
-	500
<u>-</u>	<u>285,087</u>
-	4,500
-	132,198
-	135,046
<u>-</u>	<u>271,744</u>
<u>-</u>	<u>13,343</u>
39,631	39,631
<u>-</u>	<u>(120,000)</u>
<u>39,631</u>	<u>(80,369)</u>
39,631	(67,026)
<u>(25,173)</u>	<u>608,376</u>
<u>\$ 14,458</u>	<u>\$ 541,350</u>

TOWN OF IOWA, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO MAYOR
Year Ended June 30, 2017

Mayor Carol Ponthieux

Purpose	<u>Amount</u>
Salary	\$ 16,047
Travel	1,843
Meals	34
Conference travel	<u>1,386</u>
	<u>\$ 19,310</u>

INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL
AND COMPLIANCE

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INDEPENDENT AUDITORS' REPORT OF 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

Honorable Mayor
and Town Council
Town of Iowa
Iowa, Louisiana

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Iowa, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Iowa, Louisiana's basic financial statements and have issued our report thereon dated December 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Town of Iowa, 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 Town of Iowa, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Iowa, Louisiana's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be material weaknesses (items 2017-001 and 2017-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Iowa, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-003.

Town of Iowa, Louisiana's Response to Findings

The Town of Iowa, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Iowa, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Under Louisiana Revised Statute 24:513, this report is distributed by the
Legislative Auditor as a public document.

Ms Elroy, Quirk + Burch

Lake Charles, Louisiana
December 18, 2017

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TOWN OF IOWA, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? X Yes No

Significant deficiency identified not
considered to be material weakness? Yes X None reported

Noncompliance material to financial statements
noted? X Yes No

(continued on next page)

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2017

(Continued)

2017-001 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: The Town of Iowa concurs with this recommendation. Management has implemented supervision and review procedures to the extent possible.

2017-002 Controls over Financing Reporting

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Criteria: The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Auditing guidance emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatements in financial statements could go undetected.

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2017

(Continued)

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

2017-003 Failure to Follow the Louisiana Public Bid Law (Component Unit Finding)

Condition: It was brought to our attention that the Iowa Fire Protection District violated the Louisiana Public Bid Law in regards to the purchase of a used fire engine.

Criteria: Under RS 38:2238, a public entity must procure used fire or emergency response vehicles through a detailed request for proposal (RFP) process.

Effect: By failure to follow the detailed RFP process under RS 38:2238, the Iowa Fire Protection District violated Louisiana Public Bid Law.

Recommendation: The Iowa Fire Protection District should follow all aspects of the Louisiana Public Bid Law.

Response: The Iowa Fire Protection District agrees with this finding. The District has taken the necessary steps to ensure that all future purchases are in compliance with the Louisiana Public Bid Law.

TOWN OF IOWA, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
Year Ended June 30, 2017

2016-001 Segregation of Duties

- Condition:** This finding was a material weakness relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.
- Recommendation:** To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.
- Current Status:** The condition still exists but management is mitigating its effect through review procedures. See finding 2017-001.

2016-002 Controls over Financial Reporting

- Condition:** This finding was a material weakness relating to the inability of the entity to produce financial statements and footnotes in accordance with generally accepted accounting principles.
- Recommendation:** We recommend management mitigate the weakness by having a heightened awareness of all transactions being reported.
- Current Status:** This condition still exists but management is mitigating its effect through review procedures. See finding 2017-002.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Town Council of the Town of Iowa
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Iowa (Entity) 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, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

As of June 30, 2017, the Town did not have written procedures that addressed this area. The Town previously followed the State's Revised Statutes for its procedures.

- 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.

As of June 30, 2017, the Town did not have written procedures that addressed this area.

- c) **Disbursements**, including processing, reviewing, and approving
As of June 30, 2017, the Town did not have written procedures that addressed this area.
- d) **Receipts**, including receiving, recording, and preparing deposits
As of June 30, 2017, the Town did not have written procedures that addressed this area.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
No exceptions noted.
- 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
As of June 30, 2017, the Town did not have written procedures that addressed this area.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
As of June 30, 2017, the Town did not have written procedures that addressed this area.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
No exceptions noted.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
The Town has a written ethics policy included in it Policies and Procedures manual, however it did not have a requirement that all employees annually attest to reading the policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
As of June 30, 2017, the Town did not have written procedures that addressed this area.

Board (or Finance Committee, if applicable)

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

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

No exceptions noted.

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

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

The Town's minutes do not reflect discussions regarding budget-to-actual comparisons on the General Fund and other major funds.

A formal plan to eliminate deficits was not necessary since the Entity's net position is positive.

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

No exceptions noted.

Bank Reconciliations

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

No exceptions noted.

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

- a) Bank reconciliations have been prepared;

No exceptions noted.

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

Bank reconciliations were not reviewed after they were prepared by the Town's Comptroller.

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

No exceptions noted.

Collections

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

No exceptions noted.

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

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

No exceptions noted.

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

No exceptions noted.

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

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

No exceptions noted.

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

No exceptions noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The Town had not adopted written policies prior the fiscal year ended June 30, 2017.

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

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

No exceptions noted

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

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

Twenty-three of the twenty-five disbursements were not initiated using a requisition/purchase order. Purchase orders were only utilized by the police department.

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

Of the selected sample, twenty-three of twenty-five disbursements had no purchase order. Therefore, for these twenty-three disbursements, the purchase order was not approved by a person who did not initiate the purchase.

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

Twenty-three of the twenty-five disbursements were processed without an approved purchase order because purchase orders were not utilized. Nineteen of twenty-five disbursements had no formal receiving report. Of the nineteen disbursements without receiving report, ten disbursements represented services, which would not historically have a receiving report. Nine of twenty-five disbursements did not have an approved invoice.

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

The Town does not have any controls in place to prohibit persons processing payments from editing the vendor list with the Town's software.

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

The Mayor can both sign checks and initiate purchases.

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

No exceptions noted

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

No exceptions noted

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

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

No exceptions noted

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

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

The Mayor, upon review of the credit card statements, did not notate on the documents her approval.

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

No exceptions noted

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

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

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

Of the selected transactions, we noted one credit card charge not supported by an original itemized receipt.

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

Three receipts tested did not have a clearly notated business/public purpose described on the receipt. Two receipts were from Stine's Hardware for \$13.83 and \$39.27. One receipt was from Ralph's Industrial for \$29.50.

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

No exceptions noted

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

No exceptions noted

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

No exceptions noted

Travel and Expense Reimbursement

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

No exceptions noted

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

No exceptions noted

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

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

The Town's policy is to reimburse mileage at the IRS standard mileage rate. On two expense reports it was noted that the Town "rounded up" half a cent. The results were that one individual was over reimbursed by \$2.83 and the other by \$.86.

- b) Report whether each expense is supported by:

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

No exceptions noted

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

No exceptions noted

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

No exceptions noted

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

No exceptions noted

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

The Mayor did not notate her approval on the employees' travel reimbursements. The Mayor did not have someone else review and approve her reimbursement.

Contracts

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

No exceptions noted

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

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

No exceptions noted

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

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

No exceptions noted

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

No exceptions noted

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

No exceptions noted

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

No exceptions noted

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

No exceptions noted

Payroll and Personnel

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

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

No exceptions noted

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

No exceptions noted

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

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

Of the selected employees, we noted that the Public Works Director does not document daily attendance and leave, as this is a salaried position.

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

Of the selected employees, there was no approval of the attendance of the Public Works Director.

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

No exceptions noted

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

No exceptions noted

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

No exceptions noted

Ethics (excluding nonprofits)

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

The Town did not maintain a system to ensure that ethics training compliance was satisfied. The Town did not keep copies of documentation for all employees that they had completed the required ethics training. The Town was ultimately able to provide documentation for all 5 individuals tested.

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

No exceptions noted

Debt Service (excluding nonprofits)

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

Not applicable

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

Not applicable

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

Not applicable

Other

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

The Town did not timely notify the Louisiana Legislative Auditor nor our firm when the Town suspected a misappropriation of \$50 of utility receipts. The Town did report the matter to the Calcasieu Parish Sheriff's office for investigation. No charges have been filed. Subsequent to these procedures, the Town did notify the Louisiana Legislative Auditor.

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

No exceptions noted

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

No exceptions noted

Management's Response and Corrective Action

Management's response and corrective action plan for exceptions noted in the above agreed-upon procedures:

- a) **Written Policies and Procedures:** The Town developed and adopted a complete set of policies and procedures meeting the criteria outlined in the SAUPs. The document was adopted by the Town Council on September 11, 2017.
- b) **Board Meetings:** Procedure 2(b) - The Town Council is provided budget-to-actual financial information for all the Town's funds for each meeting. They are only discussed when a Council person has a question or comment.
- c) **Bank Reconciliations:** Procedure 4(b) - While the Mayor does not review the bank reconciliations, the Mayor does review the unopened bank statements for any unusual items as a mitigating control. Someone other than the Comptroller will now review the monthly bank reconciliations.
- d) **Disbursements:** Procedure 9(c) - The Mayor takes her responsibility to approve all invoices and similar documentation prior to check signing very seriously. All unsigned checks are accompanied by the applicable invoice and are thoroughly reviewed prior to signature. As an additional control, all checks are dual signed along with a member of the Town Council. The Mayor will begin notating her approval via initial or stamp to satisfy this requirement.
- e) **Disbursements:** Procedure 10 - The Town has consulted with its software provider to implement controls over the Town's approved vendor list.
- f) **Disbursements:** Procedure 11 - The Mayor will have the Town Clerk approve any requests for purchases she wishes to make.
- g) **Credit Cards:** Procedure 15(a) – All credit card statements will be approved and signed by a member of management
- h) **Credit Cards:** Procedure 16(a) - All credit card charges will be supported by itemized receipts with properly notated business purpose, even purchases for maintenance supplies.
- i) **Travel and Expense Reimbursement:** Procedure 19(a) - The Town will reimburse the exact IRS standard mileage rate for all mileage reimbursements.

- j) **Travel and Expense Reimbursement:** Procedure 19(d) - The Mayor will have the Town Clerk review and approve any future travel reimbursements. The Mayor will notate her approval on future travel reimbursement requests for employees.
- k) **Payroll and Personnel:** Procedure 23(a) - The Public Works Director will begin tracking attendance and leave to support hours worked and time off.
- l) **Payroll and Personnel:** Procedure 23(b) – The Mayor will begin approving the attendance and leave of the Public Works Director.
- m) **Ethics:** Procedure 26 - The Town will implement a system requiring all ethics training documentation to be turned in to a designated individual. That individual will be tasked with monitoring the compliance of all Town employees' compliance with the Ethics Training requirement.
- n) **Other:** Procedure 31 (Misappropriation of Funds Notification) - The Town will notify the Louisiana Legislative Auditor and its independent auditor of any misappropriation of funds regardless of dollar amount.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 for the information and use of the specified parties and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Mc Elroy, Quirk & Burch

Lake Charles, Louisiana
December 18, 2017