

TOWN OF ADDIS, LOUISIANA

ANNUAL FINANCIAL REPORT

**As of and For the Year Ended
December 31, 2019**

TOWN OF ADDIS, LOUISIANA

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December 31, 2019

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and the Council Members
Town of Addis
Addis, Louisiana

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Addis, Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Addis, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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, and each major fund of the Town of Addis, Louisiana, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows 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 management's discussion and analysis, budgetary comparison information, and other required supplementary information on pages 4-12 and 52-57 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Addis, Louisiana's basic financial statements. The schedule of compensation, benefits, and other payments to agency head and the schedule of compensation paid to town council, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head, and the schedule of compensation paid to town council as listed in the table of contents 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (continued)

The schedule of insurance in force and the schedule of statistical data have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express our opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020, on our consideration of the Town of Addis, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Addis, Louisiana's 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 Addis, Louisiana's internal control over financial reporting and compliance.

Baxley & Associates, LLC

Plaquemine, Louisiana
June 23, 2020

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited)

We offer the readers of the financial statements of the Town of Addis, Louisiana, this narrative overview and analysis of the financial activities of the Town of Addis (hereafter referred to as the "Town") for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019 fiscal year include the following:

- The Town's assets exceeded its liabilities at the close of the fiscal year by \$13,424,722 (net position). Of this amount, \$3,553,256 (unrestricted net position) may be used to meet the government's obligations to citizens and creditors.
- The Town's total net position increased by \$1,421,714 for the year ended December 31, 2019. Net position of governmental activities increased by \$468,757, and net position of business-type activities increased by \$952,957.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,799,045, an increase of \$233,758 in comparison with the prior fiscal year. This entire amount was unreserved, undesignated, and available for spending.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$3,799,045 or 110.0% of total General Fund expenditures.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

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

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

Fund Financial Statements:

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

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

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

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

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

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

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

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

Notes to the Financial Statements

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

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceed liabilities by \$13,424,722 at December 31, 2019.

A large portion of the Town's net position (72 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and fixtures, machinery, vehicles and equipment), less any related debt used to acquire those assets that are still outstanding. The Town used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Government Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,914,041	\$ 3,811,495	\$ 1,679,907	\$ 797,672	\$ 5,593,948	\$ 4,609,167
Capital assets	4,305,415	4,058,684	8,114,472	6,820,730	12,419,887	10,879,414
Total assets	8,219,456	7,870,179	9,794,379	7,618,402	18,013,835	15,488,581
Deferred outflows	225,528	211,015	-	-	225,528	211,015
Current and other liabilities	95,083	209,258	789,842	756,815	884,925	966,073
Long-term liabilities	1,261,281	1,273,528	2,520,182	1,330,188	3,781,463	2,603,716
Total liabilities	1,356,364	1,482,786	3,310,024	2,087,003	4,666,388	3,569,789
Deferred inflows	148,253	126,798	-	-	148,253	126,798
Net position:						
Net Investment						
in Capital Assets	4,305,415	4,058,684	5,378,290	5,276,541	9,683,705	9,335,225
Restricted for debt service	-	-	187,761	81,489	187,761	81,489
Unrestricted	2,634,952	2,412,926	918,304	173,368	3,553,256	2,586,294
Total net position	\$ 6,940,367	\$ 6,471,610	\$ 6,484,355	\$ 5,531,398	\$ 13,424,722	\$ 12,003,008

The balance of unrestricted net position, \$3,553,256, may be used to meet the government's ongoing obligations to citizens and creditors.

At December 31, 2019, the Town is able to report positive fund balances in all categories of net position for governmental activities and business activities.

The Town's net position increased by \$1,421,714 during the current fiscal year. Net assets from governmental activities increased \$468,757 and its business-type activities had a increase of \$952,957.

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

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

	Government Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 406,754	\$ 494,660	\$ 1,905,114	\$ 1,108,054	\$ 2,311,868	\$ 1,602,714
Grants and contributions	89,754	82,436	-	-	89,754	82,436
Capital grants and contributions	4,983	-	-	-	4,983	-
General revenues:						
Sales taxes	2,860,920	2,766,796	-	-	2,860,920	2,766,796
Other taxes	273,988	273,947	-	-	273,988	273,947
Licenses and permits	-	-	-	-	-	-
Other general revenues	72,380	63,307	-	-	72,380	63,307
Total revenues	3,708,779	3,681,146	1,905,114	1,108,054	5,613,893	4,789,200
Expenses						
General government	1,106,224	1,159,007	-	-	1,106,224	1,159,007
Public safety	1,545,931	1,380,992	-	-	1,545,931	1,380,992
Public services	593,747	648,867	-	-	593,747	648,867
Water, sewage and gas	-	-	946,277	699,273	946,277	699,273
Total expenses	3,245,902	3,188,866	946,277	699,273	4,192,179	3,888,139
Excess (Deficiency) before Transfers	462,877	492,280	958,837	408,781	1,421,714	901,061
Transfers	5,880	-	(5,880)	-	-	-
Change in net position	468,757	492,280	952,957	408,781	1,421,714	901,061
Net position, beginning of year	6,471,610	5,979,330	5,531,398	5,122,617	12,003,008	11,101,947
Net position, end of year	\$ 6,940,367	\$ 6,471,610	\$ 6,484,355	\$ 5,531,398	\$ 13,424,722	\$ 12,003,008

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

GOVERNMENTAL FUND FINANCIAL ANALYSIS

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

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

As a measure of the Town's liquidity, it may be useful to compare fund balance to total expenditures. Fund balance represents 110.0% of total fund expenditures.

During the current year, the fund balance of the Town's general fund increased by \$233,758.

Proprietary Funds. The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. As noted above, the Town maintains one enterprise fund for its sanitary sewer facilities activities. For the fiscal year ended December 31, 2019, this fund reported net assets of \$6,484,355, which is a net increase from the prior year of \$952,957.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town received \$467,477 more than its budgeted revenues. Total expenditures were less than the final amended budget by \$322,040 resulting in a \$789,517 favorable variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town's investment in capital assets for its governmental and business type activities as of December 31, 2019 amounts to \$12,419,887 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and wastewater treatment plant.

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

- \$85,136 was spent to purchase and equip two new police vehicles
- \$65,238 was spent for machinery & equipment for the town
- \$402,464 was spent to overlay streets
- \$96,095 was spent on wastewater treatment plant improvements
- \$1,392,942 was spent on construction in progress for improvements to the sewer system

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

	Government Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 208,338	\$ 208,338	\$ 16,755	\$ 16,755	\$ 225,093	\$ 225,093
Land rights	-	-	42,921	42,921	42,921	42,921
Construction in Progress	-	-	2,029,832	636,890	2,029,832	636,890
Improvements other than buildings	3,862,836	3,460,372	-	-	3,862,836	3,460,372
Buildings and structures	947,517	947,517	86,169	86,169	1,033,686	1,033,686
Museum	196,669	196,669	-	-	196,669	196,669
Historic railroad park	833,435	833,435	-	-	833,435	833,435
Sewer facility	-	-	9,338,710	9,242,615	9,338,710	9,242,615
Furniture and fixtures	33,182	33,182	-	-	33,182	33,182
Vehicles						
Town	82,339	31,224	64,499	72,547	146,838	103,771
Police	560,207	543,243	-	-	560,207	543,243
Machinery and equipment						
Town	596,620	544,028	618,201	586,318	1,214,821	1,130,346
Police	121,947	104,701	-	-	121,947	104,701
Website	12,195	12,195	-	-	12,195	12,195
Works of art	9,343	9,343	-	-	9,343	9,343
Subtotal	7,464,628	6,924,247	12,197,087	10,684,215	19,661,715	17,608,462
Less: Accumulated depreciation	(3,159,213)	(2,865,563)	(4,082,615)	(3,863,486)	(7,241,828)	(6,729,049)
Total Capital Assets, net of A/D	\$ 4,305,415	\$ 4,058,684	\$ 8,114,472	\$ 6,820,729	\$ 12,419,887	\$ 10,879,413

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

Long-term Debt:

The Department of Environmental Quality (DEQ) project to upgrade the wastewater treatment plant began in 2010 and is financed by issuance of \$1,569,060 Sewer Revenue Bonds Series 2010. The bonds were purchased by the Clean Water State Revolving Fund (CFDA 66.458) administered by the Louisiana Department of Environmental Quality. All projects were completed during 2012 and the Town had received loan proceeds in the amount of \$1,569,060. As of December 31, 2019, the outstanding loan balance was \$900,000. During 2017, another loan was approved for up to \$3,000,000 in improvements to the sewer system. The Town received \$1,356,994 during 2019. As of December 31, 2019, the outstanding loan balance was \$1,836,182. The total outstanding on the two loans was \$2,736,182 as of December 31, 2019.

Long Term Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue Bonds Payable	\$ -	\$ -	\$ 2,736,182	\$ 1,544,188	\$ 2,736,182	\$ 1,544,188
Net Pension Liability	<u>1,261,281</u>	<u>1,273,528</u>	<u>-</u>	<u>-</u>	<u>1,261,281</u>	<u>1,273,528</u>
Total Long Term Debt	<u>\$ 1,261,281</u>	<u>\$ 1,273,528</u>	<u>\$ 2,736,182</u>	<u>\$ 1,544,188</u>	<u>\$ 3,997,463</u>	<u>\$ 2,817,716</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Generally, the outlook for 2020 is favorable as far as revenue is concerned but has been affected by the COVID-19 pandemic. The impact on projected sales tax revenue budget being closely monitored due to the impact of COVID-19. Sales tax revenue for the year is budgeted conservatively and initial sales tax reports show an approximate 10% decrease, but as businesses re-open we project sales tax revenues will stabilize and rebound. Health insurance premiums were budgeted for a 15% increase, but will only increase by 10% effective May 1, 2020, and employees were given a 4% raise, which was also budgeted. The Town's contribution to the Louisiana Municipal Police Employee Retirement program will increase from 32.50% to 33.75%, effective July 1, 2020. The Town also budgeted \$900,000 in capital outlays for the town hall building renovations and \$425,000 to be used for road improvement projects in 2020, but these projects may be adjusted as sales tax revenues is realized.

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

The Sewer Fund capital outlay budget was increased to secure funds for the purchase of a new service truck for the department and a portable diesel trailer mounted pump. Repairs to equipment budget was also increased to secure funds for the pump station overhaul and repairs. Health insurance premiums were budgeted for a 15% increase, but will only increase by 10% effective May 1, 2020, and employees were given a 4% salary increase. All four projects under the \$3,000,000 LDEQ SRF Loan have been bid and three have been completed. The construction period on the loan has been extended to December 31, 2020.

NEW ACCOUNTING PRONOUNCEMENTS IMPLEMENTED

The Town adopted GASB Statement No. 89 "Accounting for Interest Cost Incurred Before the End of a Construction Period." This adoption of GASB 89 required that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This adoption of GASB 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

REQUESTS FOR INFORMATION

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

TOWN OF ADDIS, LOUISIANA

Statement of Net Position

December 31, 2019

	Primary Government		
	Government activities	Business-type activities	Total
Assets			
Cash and cash equivalents	\$ 3,375,682	\$ 1,198,804	\$ 4,574,486
Investments	135,777	-	135,777
Receivables, net	355,764	68,050	423,814
Due from other funds	15,063	(15,063)	-
Prepays	20,397	528	20,925
Inventory	-	19,052	19,052
Restricted Cash and cash equivalents	11,358	408,536	419,894
Capital assets:			
Non-depreciable	208,338	2,089,509	2,297,847
Depreciable, net of depreciation	4,097,077	6,024,963	10,122,040
Total assets	8,219,456	9,794,379	18,013,835
Deferred Outflow of Resources - Pension related	225,528	-	225,528
Total assets and deferred outflows of resources	8,444,984	9,794,379	18,239,363
Liabilities			
Current liabilities:			
Accounts payable	51,616	569,067	620,683
Accrued liabilities	31,266	-	31,266
Refunds payable	900	-	900
Payable from restricted assets			
Civil bonds held	11,301	-	11,301
Accrued interest payable	-	4,775	4,775
Bonds payable, due within one year	-	216,000	216,000
Noncurrent liabilities:			
Bonds payable, due in more than one year	-	2,520,182	2,520,182
Net pension liability	1,261,281	-	1,261,281
Total liabilities	1,356,364	3,310,024	4,666,388
Deferred Inflow of Resources - Pension related	148,253	-	148,253
Total liabilities and deferred inflows of resources	1,504,617	3,310,024	4,814,641
Net Position			
Invested in capital assets, net of related debt	4,305,415	5,378,290	9,683,705
Restricted for Debt service	-	187,761	187,761
Unrestricted	2,634,952	918,304	3,553,256
Total net position	\$ 6,940,367	\$ 6,484,355	\$ 13,424,722

TOWN OF ADDIS, LOUISIANA

Statement of Activities

For the Year Ended December 31, 2019

Functions/programs	Expenses	Program Revenues			Net (expenses) revenue and change in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 1,106,224	\$ 241,858	\$ -	\$ -	\$ (864,366)	\$ -	\$ (864,366)
Public safety	1,545,931	152,441	89,754	-	(1,303,736)	-	(1,303,736)
Public services	593,747	12,455	-	4,983	(576,309)	-	(576,309)
Total governmental activities	3,245,902	406,754	89,754	4,983	(2,744,411)	-	(2,744,411)
Business-type activities							
Sewer user charges	946,277	1,905,114	-	-	-	958,837	958,837
Total business-type activities	\$ 946,277	\$ 1,905,114	\$ -	\$ -	-	958,837	958,837
General revenues:							
General purpose sales and use taxes					2,860,920	-	2,860,920
Franchise taxes					267,869	-	267,869
Other taxes					6,119	-	6,119
Investment earnings					12,421	-	12,421
Other income					59,959	-	59,959
Transfers					5,880	(5,880)	-
Total general revenues and transfers					3,213,168	(5,880)	3,207,288
Change in net position					468,757	952,957	1,421,714
Net position - beginning					6,471,610	5,531,398	12,003,008
Net position - ending					\$ 6,940,367	\$ 6,484,355	\$ 13,424,722

The Accompanying Notes are an integral part of this statement

TOWN OF ADDIS, LOUISIANA

Balance Sheet-Governmental Fund-General Fund

December 31, 2019

	2019
Assets	
Cash and cash equivalents	\$ 3,375,682
Investments	135,777
Receivables-	
Franchise tax	101,483
Other	14,605
Accrued interest	259
Due from other governments-	
Sales tax	237,942
Other	1,477
Due from other funds	15,063
Prepaid expenses	482
Restricted assets	
Cash	11,358
Total assets	<u>\$ 3,894,128</u>
Liabilities and Fund Balances	
Current liabilities:	
Accounts payable	\$ 51,616
Accrued liabilities	31,266
Refunds payable	900
Payable from restricted assets	
Bonds payable, due within one year	11,301
Total liabilities	<u>95,083</u>
Fund balances	
Unassigned	<u>3,799,045</u>
Total fund balances	<u>3,799,045</u>
Total Liabilities and Fund Balances	<u>\$ 3,894,128</u>

TOWN OF ADDIS, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet

to the Statement of Net position

December 31, 2019

Fund balances - total governmental funds	\$ 3,799,045
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	
Governmental capital assets	7,464,629
Less accumulated depreciation	<u>(3,159,214)</u>
	4,305,415
Prepaid insurance premiums in governmental activities are not recognized as expenditures for governmental funds	19,913
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
Pension related changes reported as deferred outflows	225,528
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Pension related changes reported as deferred inflows	(148,253)
Net pension liability	<u>(1,261,281)</u>
Net position of governmental activities	<u><u>\$ 6,940,367</u></u>

TOWN OF ADDIS, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds-General Fund

For the Year Ended December 31, 2019

Revenues

Taxes	\$ 241,858
Franchise fees	267,869
Intergovernmental	2,933,185
Charges for services	12,455
Fines and forfeitures	152,441
Investment earnings	12,421
Miscellaneous	59,959
Total revenues	<u>3,680,188</u>

Expenditures

Current	
General government	967,833
Public safety	1,416,908
Roads and drainage	446,369
Capital outlay	621,200
Total expenditures	<u>3,452,310</u>

Excess (Deficiency) of Revenues Over Expenditures

227,878

Other Financing Sources (Uses)

Operating transfers out	5,880
Total other financing sources (uses)	<u>5,880</u>

Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses

233,758

Fund Balance

Beginning	3,565,287
Ending	<u><u>\$ 3,799,045</u></u>

TOWN OF ADDIS, LOUISIANA

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, Changes in Fund Balances to the Statement of Activities For the Year Ended December 31, 2019

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

Net change in fund balances - total governmental funds	\$ 233,758
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	621,199
Depreciation expense	<u>(374,469)</u>
	246,730
Expenditures that do not use current financial resources are not reported as expenses in the Statement of Activities	
Current prepaid insurance	19,914
Prior year prepaid insurance	<u>(36,950)</u>
	(17,036)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	<u>5,305</u>
Change in net position of governmental activities	<u>\$ 468,757</u>

TOWN OF ADDIS, LOUISIANA

Statement of Net Position, Proprietary Fund**December 31, 2019**

	Business-type Activities Enterprise Fund Sewer Fund
<hr/>	
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,198,804
Accounts receivable, net	68,050
Prepaid expenses and other current assets	528
Inventory-tanks	19,052
Total current assets	<u>1,286,434</u>
Non-current Assets	
Restricted:	
Cash and cash equivalents	408,536
Total restricted assets	<u>408,536</u>
Capital assets:	
Non-depreciable	2,089,509
Depreciable, net of accumulated depreciation	6,024,964
Total capital assets (net of accumulated depreciation)	<u>8,114,473</u>
Total non-current assets	<u>8,523,009</u>
Deferred Outflows of Resources	-
Total assets and deferred outflows of resources	<u>9,809,443</u>

TOWN OF ADDIS, LOUISIANA

Statement of Net Position, Proprietary Fund, Continued**December 31, 2019**

	Business-type Activities Enterprise Fund Sewer System
Liabilities	
Current Liabilities (payable from current assets):	
Accounts payable	569,067
Due to other funds	15,063
Current liabilities payable from restricted assets:	
Accrued interest payable	4,775
Sewer revenue bonds payable	216,000
Total current liabilities	<u>804,905</u>
Non-current Liabilities:	
Sewer revenue bonds payable	<u>2,520,182</u>
Total non-current liabilities	<u>2,520,182</u>
Total liabilities	<u>3,325,087</u>
Deferred Inflows of Resources	-
Total liabilities and deferred inflow of resources	<u>3,325,087</u>
Net Position	
Invested in capital assets, net of related debt	5,378,291
Restricted for debt service	187,761
Unrestricted	918,304
Total net position	<u>\$ 6,484,356</u>

TOWN OF ADDIS, LOUISIANA

**Statement of Revenues, Expenses and
Changes in Fund Net Position****Proprietary Fund****For the Year Ended December 31, 2019**

	Business-type Activities Enterprise Fund Sewer System
Operating Revenues	
Charges for services	\$ 898,188
Installations	5,200
Impact Fees	1,001,250
Miscellaneous	476
Total Operating Revenues	1,905,114
Operating Expenses	
Personal services	290,360
Utilities	79,252
Operating expenses	239,656
Contract services	50,528
Depreciation	263,445
Total Operating Expenses	923,241
Operating Income (Loss)	981,873
Nonoperating Revenues (Expenses)	
Administrative fees	(10,905)
Interest expense	(12,131)
Total Nonoperating Revenues (Expenses)	(23,036)
Income (Loss) before contributions and transfers	958,837
Transfers In (Out)	
General Fund	(5,880)
Change in net position	952,957
Net position	
Beginning	5,531,399
Ending	\$ 6,484,356

TOWN OF ADDIS, LOUISIANA

Statement of Cash Flows

Proprietary Fund

For the Year Ended December 31, 2019

	Business-type Activities Enterprise Fund Sewer System
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,952,658
Payments to suppliers	(906,745)
Payments to employees for services and benefits	(290,360)
Other operating cash receipts	476
Net Cash Provided By (Used In) Operating Activities	756,029
Cash Flows From Noncapital Financing Activities	
Transfers from other funds	19,098
Net Cash Provided By (Used in) Noncapital Financing Activities	19,098
Cash Flows From Capital and Related Financing Activities	
Proceeds from bonds issued	1,356,994
Purchase of capital assets	(989,262)
Interest and administrative fees paid	(20,719)
Principal paid on revenue bonds	(165,000)
Net Cash Provided By (Used In) Capital and Related Financing Activities	182,013
Increase (Decrease) in Cash and Cash Equivalents	957,140
Cash and Cash Equivalents	
Beginning	650,200
Ending	\$ 1,607,340
Cash and Cash Equivalents	\$ 1,198,804
Restricted Assets	408,536
Totals	\$ 1,607,340

TOWN OF ADDIS, LOUISIANA

Statement of Cash Flows

Proprietary Fund, Continued

For the Year Ended December 31, 2019

	Business-type Activities Enterprise Fund Sewer System
Cash Flows From Operating Activities	
Operating income	\$ 981,873
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	263,445
(Increase) decrease in assets	
Accounts receivable	7,206
Unbilled accounts receivable	40,814
Prepaid expenses	12,655
Inventory	(10,748)
Increase (decrease) in liabilities	
Accounts payable	(539,216)
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 756,029</u></u>

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements

December 31, 2019

1. INTRODUCTION

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

BASIC FINANCIAL STATEMENTS -- GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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

BASIC FINANCIAL STATEMENTS -- FUND FINANCIAL STATEMENTS

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

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

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

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

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

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

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

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

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

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

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

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2 – Inputs including

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to fair value measurement.

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current fiscal year no interest was incurred in the capitalized projects.

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

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

Compensated Absences. Employees of the Town earn vacation or sick leave at varying rates based upon length of service. Vacation leave is non-cumulative, any unused vacation not taken by December 31, is lost. Unused personal/sick leave may be carried into the first ninety days of the

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

subsequent year, any unused personal/sick leave not taken by March 31 is lost. Any unused personal/sick leave is immaterial, therefore, no accrual has been made.

Long-Term Debt. Long-Term Debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term obligations for governmental funds are not reported as a liability in the fund financial statements.

The reporting of long-term debt in the proprietary statements is the same in the fund statements as it is in the government-wide statements.

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

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

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

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

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

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

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

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

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

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

Current Year Adoption of New Accounting Standards. The Town adopted the following recently issued GASB Standards in the preparation of this Annual Financial Report:

In June 2018, GASB has issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

- All budgetary appropriations lapse at the end of each fiscal year.
- The level of budgetary control is total appropriations.

3. DEPOSITS AND INVESTMENTS

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

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

Deposits do not include \$816 on cash on hand.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a policy for custodial credit risk which reflects state law. As of December 31, 2019 the Town had \$5,240,046 in deposits (collected bank balances). These deposits were secured from risk by \$511,903 in federal deposit insurance and \$4,957,588 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3) and none were unsecured and uninsured.

Financial statement classification	Demand Deposits	Certificates of Deposit	Total
Cash and cash equivalents	\$ 4,574,486	\$ -	\$ 4,574,486
Investments	-	135,777	135,777
Restricted Cash and cash equivalents	419,894	-	419,894
Balance per Town books	\$ 4,994,380	\$ 135,777	\$ 5,130,157
Institutional balances	\$ 5,105,085	\$ 135,777	\$ 5,240,862

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

4. INVESTMENTS

Investments are stated at fair value.

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction the Town will not be able to recover the value of the investment. Investments are exposed to custodial risk if the securities are (a) uninsured and unregistered and held by the counterparty or (b) uninsured, unregistered and held by the counterparty's trust department or agent but not in the name of the Town. The following chart presents the investment position of the Town at December 31, 2019. The various types of investments are listed and presented by whether they are exposed to custodial credit risk.

Investments not subject to collateralization.

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

	Change in Investments	
	Amortized Cost	Fair Value
Balance, December 31, 2018	\$ 135,486	\$ 135,486
Add:		
Investment purchase	291	291
Balance, December 31, 2019	\$ 135,777	\$ 135,777

The following table sets forth by level within fair value hierarchy the Town's assets at estimated fair value as of December 31, 2019:

Type of Investment	Bank	Maturity Date	Category			Carrying Amount	Fair Value
			1	2	3		
Certificates of deposit	Iberville Bank	12/27/2020	\$ 43,874	\$ -	\$ -	\$ 43,874	\$ 43,874
Certificates of deposit	Cottonport Bank	4/19/2020	11,903	-	-	11,903	11,903
Certificates of deposit	Business First Bank	1/30/2020	40,000	-	-	40,000	40,000
Certificates of deposit	Business First Bank	3/2/2020	10,000	-	-	10,000	10,000
Certificates of deposit	Business First Bank	11/16/2020	30,000	-	-	30,000	30,000
Total			\$ 135,777	\$ -	\$ -	\$ 135,777	\$ 135,777

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

5. RECEIVABLES

The following is a summary of receivables for December 31, 2019:

	General Fund	Sewer Fund	Total
Sales tax	\$ 237,942	\$ -	\$ 237,942
Franchise tax	101,483	-	101,483
Accounts receivable	-	76,439	76,439
Accrued interest	259	-	259
Other	16,080	-	16,080
Total Receivables	355,764	76,439	432,203
Allowance for Uncollectibles	-	(8,389)	(8,389)
Receivables, Net	\$ 355,764	\$ 68,050	\$ 423,814

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

6. CAPITAL ASSETS SUMMARY

	Beginning Balance December 31, 2018	Increases	Decreases	Ending Balance December 31, 2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 208,338	\$ -	\$ -	\$ 208,338
Capital assets, being depreciated:				
Improvements other than buildings	3,460,372	402,464	-	3,862,836
Buildings and structures	947,517	-	-	947,517
Historical Railroad Park	833,435	-	-	833,435
Museum	196,669	-	-	196,669
Furniture and fixtures	33,182	-	-	33,182
Vehicles-Town	31,224	51,115	-	82,339
Machinery & equipment	544,028	65,238	12,646	596,620
Website	12,195	-	-	12,195
Works of Art	9,343	-	-	9,343
Police Department Equipment	104,701	17,246	-	121,947
Police Department Vehicles	543,243	85,136	68,172	560,207
Total capital assets, being depreciated	6,715,909	621,199	80,818	7,256,290
Less accumulated depreciation for:				
Improvements other than buildings	1,090,539	174,423	-	1,264,962
Buildings and structures	498,734	22,839	-	521,573
Historical Railroad Park	298,210	41,302	-	339,512
Museum	94,801	4,853	-	99,654
Furniture and fixtures	33,182	-	-	33,182
Vehicles-Town	30,076	5,013	-	35,089
Machinery & equipment	380,324	24,718	12,646	392,396
Website	12,195	-	-	12,195
Works of Art	9,343	-	-	9,343
Police Department Equipment	83,549	9,371	-	92,920
Police Department Vehicles	334,610	91,949	68,172	358,387
Total accumulated depreciation	2,865,563	374,468	80,818	3,159,213
Total capital assets, being depreciated, net	3,850,346	246,731	-	4,097,077
Governmental activities capital assets, net	\$ 4,058,684	\$ 246,731	\$ -	\$ 4,305,415

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

Depreciation expense was charged to government functions as follows:

General Government	\$ 121,657
Public Safety - Police Department	106,732
Public Works	146,079
Total	<u>\$ 374,468</u>

The following is a summary of the changes in property, plant and equipment of the Enterprise Fund- Sewer System for the year ended December 31, 2019:

	Beginning Balance December 31, 2018	Increases	Decreases	Ending Balance December 31, 2019
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 16,755	\$ -	\$ -	\$ 16,755
Land rights	42,921	-	-	42,921
Construction in Progress	636,890	1,392,942	-	2,029,832
	<u>696,566</u>	<u>1,392,942</u>	<u>-</u>	<u>2,089,508</u>
Capital assets, being depreciated:				
Buildings	86,169	-	-	86,169
Sewer facility	9,242,615	96,095	-	9,338,710
Machinery & Equipment	586,318	35,380	3,497	618,201
Vehicles	72,547	32,771	40,819	64,499
Total capital assets, being depreciated	<u>9,987,649</u>	<u>164,246</u>	<u>44,316</u>	<u>10,107,579</u>
Less accumulated depreciation for:				
Buildings	19,242	2,207	-	21,449
Sewer facility	3,497,951	218,445	-	3,716,396
Machinery & Equipment	285,455	34,263	3,497	316,221
Vehicles	60,838	8,530	40,819	28,549
Total accumulated depreciation	<u>3,863,486</u>	<u>263,445</u>	<u>44,316</u>	<u>4,082,615</u>
Total capital assets, being depreciated, net	<u>6,124,163</u>	<u>(99,199)</u>	<u>-</u>	<u>6,024,964</u>
Business-type activities capital assets, net	<u>\$ 6,820,729</u>	<u>\$ 1,293,743</u>	<u>\$ -</u>	<u>\$ 8,114,472</u>

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

7. LONG TERM LIABILITIES

On November 10, 2010, the Town issued Sewer Revenue Bonds, Series 2010 in the amount of \$1,569,060 for the purpose of paying the costs of constructing and acquiring improvements and extensions to the Town's sewer system. The bonds were purchased by the Louisiana Department of Environmental Quality financed by the Clean Water State Revolving Fund. The Wastewater Treatment Facility phase of the project was completed during 2011 and the Pump Station and Force Main phase was completed in 2012. During 2017, the Town was approved for up to \$3,000,000 for improvements to the sewer system. Purchase price of the bonds are distributed to the Town in installments as construction progresses. The Town received \$1,356,994 during 2019. The total outstanding on the two loans was \$2,736,182 as of December 31, 2019.

	Issued	Original Amount	Matures	Interest Rate
Sewer Revenue Bonds - Series 2010	11/9/2010	\$ 1,569,060	11/1/2030	0.45%
Sewer Revenue Bonds - Series 2017	6/14/2017	567,188	11/1/2038	0.45%

	Balance at December 31, 2018	Additions or Bonds Issued	Bonds Redeemed and Other Reductions	Balance at December 31, 2019	Amount due within One Year
Sewer Revenue Bonds - Series 2010	\$ 977,000	\$ -	\$ 77,000	\$ 900,000	\$ 78,000
Sewer Revenue Bonds - Series 2017	567,188	1,356,994	88,000	1,836,182	138,000
Total long-term debt	\$ 1,544,188	\$ 1,356,994	\$ 165,000	\$ 2,736,182	\$ 216,000

The annual maturities for the bonds for the years subsequent to December 31, 2019 are as follows:

Year Ending December 31,	Principal	Interest
2020	216,000	14,201
2021	219,000	13,723
2022	220,000	12,737
2023	222,000	11,747
2024-2028	732,000	43,496
2029-2033	766,000	17,304
2034-2038	361,182	1,947
	<u>\$ 2,736,182</u>	<u>\$ 115,155</u>

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

8. RESTRICTED ASSETS AND FLOW OF FUNDS

Restricted cash held in the general fund of \$11,358 represents bond funds that is refundable to the payor once court proceeding have been concluded and properly authorized for disbursement.

The bond ordinance for the Sewer Revenue Bonds, Series 2010 and 2017 requires the creation of the below accounts. All of income and revenues derived from the operation of the System shall be deposited daily as the same may be collected in the "Sewer Revenue Fund" (the "Revenue Fund"). Funds in the Revenue Fund shall be expended in the following order of priority and for the following express purposes:

- a) All reasonable and necessary costs and expenses of administration, operation and maintenance of the System as are not provided for from other lawfully available sources shall first be paid from the Revenue Fund.
- b) The Issuer shall maintain a separately identifiable fund designated as the "Sewer Revenue Bond and Interest Sinking Fund" (the "Debt Service Fund"), by transferring from funds in the Revenue Fund, after making the payments required by (a) above, to the Debt Service Fund monthly on or before the 20th day of each month of each year, a sum equal to the principal, interest and Administrative Fee, accruing on the Bonds and the Outstanding Parity Bonds for such month, together with such additional proportionate monthly sum as may be required to pay said principal, interest and Administrative Fee, if any, as the same become due. The Issuer shall transfer from said Debt Service Fund to the paying agent bank or banks for all bonds payable from the Debt Service Fund, or directly to the Owners, on or before each Interest Payment Date, funds fully sufficient to pay promptly the principal, interest and Administrative Fee, if any, falling due on such date.
- c) The Issuer shall maintain a separately identifiable fund or account designated as the "Sewer Revenue Bond Reserve Fund" (the "Reserve Fund") the money in the Reserve Fund to be retained solely for the purpose of paying the principal of and interest on Bonds and the Outstanding Parity Bonds and payable from the Debt Service Fund as to which there would otherwise be default, be transferring from the Revenue Fund (after making all required payments from said fund as hereinabove described), on or before the 20th day of each month, a sum at least equal to 25% of the amount to be paid into the Debt Service Fund for such month, the payments into said Reserve Fund to continue until such time there has been accumulated therein a sum equal to the Reserve Fund Requirement. Upon the issuance of additional Parity Bonds, there shall be transferred from the proceeds of such additional bonds and/or from the Revenue Fund into the Reserve Fund, monthly or annually, such amounts (as may be designated in the ordinance authorizing the issuance of such additional Parity Bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years to a sum equal to the Reserve Fund

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

Requirement for all outstanding bonds payable from the Debt Service Fund, including such additional Parity Bonds.

- d) The Issuer shall maintain a separately identifiable fund or account designated "Sewer Depreciation Additions and Contingency Fund" (the "Contingency Fund") to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from funds in the Revenue Fund after making the payments required (a), (b) and (c) above to the Contingency Fund monthly on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the Net Revenues for the preceding month, provided that such sum is available after provision is made for the payments required under paragraphs (a), (b) and (c) above. Such payments into the Contingency Fund shall continue until such time as there has been accumulated in the Contingency Fund the sum of One Hundred Fifty Thousand Dollars (\$150,000), whereupon such payments may cease and need to be resumed thereafter only if the total amount of money on deposit in said fund is reduced below said sum of One Hundred Fifty Thousand Dollars (\$150,000), in which event such payments shall be resumed and continue until said maximum amount is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingency Fund may also be used to pay the principal of and the interest on the Bonds, including and Parity Bonds, for the payment of which there is not sufficiency money in the Debt Service Fund and the Reserve Fund described in paragraphs (b) and (c) above, but the money in said Contingency Fund shall never be used for the making of use of said money will leave in said Contingency Fund for the making of emergency repairs or replacements less than the sum of Ten Thousand Dollars (\$10,000).
- e) Any money remaining in the Revenue Fund after making the above-required payments may be used by the Issuer for the purpose of calling and/or purchasing and paying any bonds payable from the revenues of the System, or for such other lawful corporate purposes as the Governing Authority may determine, whether such purposes are or are not in relation to the System.

Account balances as of December 31, 2019 are as follows:

Account Name	Balance
Sewer Bond & Interest Sinking Fund	\$ 161,716
Sewer Revenue Reserve Fund	124,550
Sewer Depreciation, Additions & Contingency Fund	122,183
2017 DEQ Construction Fund	87
Total	<u>\$ 408,536</u>

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

9. FRANCHISE AGREEMENTS

Cable Television

A non-exclusive cable franchise was granted to Cox Communications, Inc., on June 20, 2005 for a period of 25 years. The annual franchise fee is 5% of the company's gross receipts.

On October 1, 2008, the Town passed ordinance No. 2008-9, setting franchise fees for all cable or video services at 5% of gross receipts from operations within the Town's municipal limits.

Electric

On October 1, 1972, the Town entered into a franchise with Gulf State Electric Utilities Company, now Entergy, to supply electricity to the Town for a period of 60 years. In consideration, the Town shall receive a fee of 4.5% of the gross receipts from sales of electricity to customers within the corporate limits of Addis from October 1, 1972 to September 30, 1982, then from October 1, 1982 to September 30, 2032, a fee of 5%.

10. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

The Town's police chief and police officers received about \$61,962 in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections. The Town recognizes this supplemental pay received by the employees as revenues and expenditures of the Town. The revenues are reported in the General Fund and the expenditures are included in Public Safety expenditures.

11. INTERFUND BALANCES

The Town reports interfund balances between its funds. The totals of all balances agree with the sum of interfund balances present in the fund statements.

	Due From		
	General Fund	Sewer Fund	Total
Due To			
General Fund	\$ -	16,221	\$ 16,221
Sewer Fund	1,158	-	\$ 1,158
Total	\$ 1,158	\$ 16,221	\$ 15,063

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

The balances primarily result from the time lag between the dates the 1) transactions are recorded in the accounting system and 2) payments between funds are made.

12. Pension Plan

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

Plan Description. The Municipal Police Employees' Retirement System (MPERS) is a cost-sharing multiple-employer defined benefit plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

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

1. Retirement

Membership Prior to January 1, 2013

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

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

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

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

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

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

2. Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

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

3. Initial Benefit Option Plan

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

4. Cost of Living Adjustments

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

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

A COLA may only be granted if funds are available from interest earnings in excess of normal requirements, as determined by the actuary.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

Contributions

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2019, total contributions due for employers and employees were 42.25%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 32.25% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 32.25% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 34.75% and 7.5%, respectively.

Non-employer contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended December 31, 2019 and excluded in pension expense.

The Town's contractually required composite contribution rate for the year ended December 31, 2019 was 32.5% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Town were \$141,691 for the year ended December 31, 2019.

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

At December 31, 2019, the Employer reported a liability of \$1,261,281 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net Pension Liability was based on a projection of the Town's projected contribution effort to the plan for the next fiscal year as compared to the total of all employers' projected contribution effort to the plan for the next fiscal year, actuarially determined. At June 30, 2019, the Town's proportion was .1389%, which was a decrease of .0118% from its proportion measured as of June 30, 2018.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

For the year ended December 31, 2019, the Town recognized pension expense of \$163,214 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$52,637).

At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (36,158)
Changes of assumptions	70,680	-
Net difference between projected and actual earnings on pension plan investments	81,943	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	(112,095)
Town contributions subsequent to the measurement date	72,905	-
Total	<u>\$ 225,528</u>	<u>\$ (148,253)</u>

\$72,905 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	MPERS
2020	\$ (42,818)
2021	(71,114)
2022	(16,751)
2023	20,457

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2019:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.125%, net of investment expense
Inflation Rate	2.5% per annum
Salary Increases, including Inflation and merit	

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

Mortality

RP-2000 Combined Healthy and Blue Collar Adjustment Sex Distinct Tables project to 2029 by Scale AA (set back 1 year for females) for healthy annuitant and beneficiaries.

RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disables annuitants.

RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.

Cost-of-Living Adjustments

The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

Mortality Rate

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The best estimates of arithmetic nominal rates of return for each major asset class included in the System's target asset allocation as of June 30, 2019 are summarized in the following table:

30-Jun-19		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.50%	3.28%
Fixed Income	33.50%	0.80%
Alternatives	18.00%	1.06%
Other	0.00%	0.00%
Totals	100.00%	5.14%
Inflation		2.75%
Expected Arithmetic Nominal Return		7.89%

Discount Rate

The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

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

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.125%, as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.125%) or one percentage-point higher (8.125%) than the current rate:

	1% Decrease (6.125%)	Current Discount Rate (7.125%)	1% Increase (8.125%)
City's proportionate share of the net pension liability	\$ 1,757,380	\$ 1,261,281	\$ 845,104

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS 2019 Comprehensive Annual Financial Report at www.Lampers.org.

13. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all permanent Town employees, permits them to defer until future years up to 100% of annual compensation not to exceed \$18,500 in 2019, adjusted thereafter for cost of living adjustments in \$500 annual increments up to age 50; participants age 50 and over are eligible for catch-up contributions provided the catch-up contributions do not exceed the catch-up limit for the taxable year. The Town contributes on behalf of its employees based upon employee contributions with a maximum match of 20.1 %. The Town also contributes an additional annual contribution for participating full time employees of \$1,500, except for police officers. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with GASB No. 32 the Town is no longer required to report the plan in its financial statements.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

14. Intergovernmental Agreements

West Baton Rouge Parish Natural Gas and Water Systems –

A service agreement is in effect between West Baton Rouge Parish and the Town in which the Parish agrees to bill and collect sewer fees from water customers served by the Town sewer system. The sewer rates are based on water usage, and customers may have their water service discontinued for non-payment of sewer fees. The amount due from the Parish for customer sewer fees billed through December 31, 2019 was \$68,050.

15. Sewer User Fees

Charges for sewer use are as follows:

Residential - \$14.00 plus \$2.50 per 1,000 gallons after 4,000.

Non-residential - \$24.00 plus \$2.50 per 1,000 gallons after 4,000.

16. Economic Dependence

The Town of Addis received 51.0%, of its total revenue from parish and district sales tax.

17. Risk Management

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

18. Contingencies and Commitments

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

The town is in the process of improving their sewer facility. Construction costs related to the project are expected to be approximately \$3,000,000 and is financed with revenue bonds purchased by the Louisiana Department of Environmental Quality, financed by the Clean Water State Revolving Fund (See Note 7). The project is comprised of several phases and is expected to be complete in 2020.

The Louisiana Department of Environmental Quality purchase of the Taxable Sewer Revenue Bond – Series 2017 was financed by the Drinking Water Revolving Loan Fund, a federal program

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2019

operated through the United States Environmental Protection Agency (EPA). Amounts received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

19. Related Parties

Town of Addis Councilman Tate Acosta is the Vice President of R.J. Daigle and Sons who performed some road projects for the Town during 2019. He abstains from any Council discussions or actions in relation to R.J. Daigle and Sons. The Town of Addis paid R.J. Daigle and Sons \$161,761 for the year ending December 31, 2019 and no amounts were owed as of year end.

20. New Accounting Pronouncements Not Yet Implemented

In June 2017, GASB has issued Statement No. 87 "Leases". This Statement is effective for fiscal years beginning subsequent of December 15, 2019. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB issued Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance" which has deferred the effective date of Statement No. 87 Implementation Guide No. 2019-03 by 18 months to fiscal years beginning after June 15, 2021. The Town plans to adopt this Update as applicable by the effective date.

21. Subsequent Event COVID-19

Subsequent events were evaluated through June 23, 2020 which is the date the financial statements were available to be issued. Due to COVID-19, the Town has had to close all public facilities but has continued to service the public within the guidelines set forth by recent proclamations. The Town expects the businesses to re-open in accordance with recent guidelines set. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and ultimate financial impact to be reasonably estimated at this time. No additional events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2019.

TOWN OF ADDIS, LOUISIANA

Required Supplementary Schedules

December 31, 2019

TOWN OF ADDIS, LOUISIANA

Required Supplementary Schedules

December 31, 2019

Budgetary Comparison Schedules

Town of Addis, Louisiana
Budgetary Comparison Schedule
General Fund

For the Year Ended December 31, 2019

Notes:

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

TOWN OF ADDIS, LOUISIANA**Schedule of Revenues and Other Financing****Year Ended December 31, 2019****Sources - Budget and Actual****General Fund**

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Taxes and licenses				
Occupational license	\$ 140,000	\$ 140,000	\$ 175,520	\$ 35,520
Building permits	90,000	90,000	66,032	(23,968)
Trailer moving permits	150	150	300	150
Bartender permits	100	100	6	(94)
Franchise fees				
Entergy	175,000	175,000	194,531	19,531
Cable television	16,000	16,000	51,292	35,292
Telephone	12,000	12,000	22,046	10,046
Intergovernmental				
Sales tax-parish	1,100,000	1,100,000	1,196,685	96,685
Sales tax-district	1,400,000	1,400,000	1,664,234	264,234
Alcoholic beverage tax	2,300	2,300	2,847	547
Video poker tax	4,200	4,200	3,273	(927)
State of Louisiana - Police Supplemental Pay	-	-	61,162	61,162
Emergency Task Force Grant	2,000	2,000	-	(2,000)
LGAP Grant	25,000	25,000	4,983	(20,017)
Charges for services				
Rental-Civic Center	4,000	4,000	5,595	1,595
Highway maintenance	6,860	6,860	6,860	-
Planning and zoning	100	100	-	(100)
Grass mowing-town	100	100	-	(100)
Culvert program	10,000	10,000	-	(10,000)
Fines and forfeitures	200,000	200,000	152,441	(47,559)
Investment earnings	2,500	2,500	12,421	9,921
Sale of fixed assets	1,000	1,000	-	(1,000)
Miscellaneous	21,400	21,400	59,959	38,559
Amounts available for appropriation	3,212,710	3,212,710	3,680,187	467,477
Current				
General government	983,000	983,000	967,833	15,167
Public safety-police	1,307,800	1,307,800	1,416,908	(109,108)
Public works-Streets & sanitation	548,550	548,550	446,369	102,181
Capital Outlay				
General government	300,000	300,000	41,363	258,637
Museum and park	20,000	20,000	-	20,000
Police	45,000	45,000	96,087	(51,087)
Public Works	570,000	570,000	483,750	86,250
Total Expenditures	\$ 3,774,350	\$ 3,774,350	\$ 3,452,310	\$ 322,040
Excess (Deficiency) of Revenue over Expenditures	\$ (561,640)	\$ (561,640)	\$ 227,877	\$ 789,517

TOWN OF ADDIS, LOUISIANA***Schedule of Revenues and Other Financing******Year Ended December 31, 2019******Sources - Budget and Actual******General Fund (continued)***

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Transfers in/(Out)				
Enterprise Fund-Sewer Fund	-	-	5,880	5,880
Total transfers In/(Out)	-	-	5,880	5,880
Net Change in Fund Balance	(561,640)	(561,640)	233,757	795,397
Beginning Fund Balance			3,565,287	3,565,287
Ending Fund Balance	\$ (561,640)	\$ (561,640)	\$ 3,799,044	\$ 4,360,684

TOWN OF ADDIS, LOUISIANA***Schedule of Employer's Proportionate Share of the Net Pension Liability******Year Ended December 31, 2019***

Fiscal Year*	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
<u>MPERS:</u>					
2019	0.1389%	\$ 1,261,281	\$ 420,238	339.26%	71.01%
2018	0.1506%	\$ 1,273,528	\$ 444,562	311.95%	71.39%
2017	0.1566%	\$ 1,367,752	\$ 467,694	292.45%	70.08%
2016	0.1689%	\$ 1,575,130	\$ 470,755	334.60%	66.04%
2015	0.1669%	\$ 1,307,456	\$ 452,032	289.24%	70.73%
2014	0.1678%	\$ 1,049,965	\$ 455,470	230.52%	75.10%
2013	0.1500%	\$ 1,198,368	\$ 350,076	342.32%	66.71%

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

* The amounts presented have a measurement date of June 30, 2019.

TOWN OF ADDIS, LOUISIANA*Schedule of Employer's Pension Contributions**Year Ended December 31, 2019*

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
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MPERS:

2019	\$	121,148	\$	141,691	\$	(20,543)	\$	375,652	37.72%
2018	\$	136,836	\$	136,836	\$	-	\$	424,487	32.24%
2017	\$	148,493	\$	148,493	\$	-	\$	463,795	32.02%
2016	\$	138,872	\$	138,872	\$	-	\$	470,259	29.53%
2015	\$	140,570	\$	140,570	\$	-	\$	465,948	31.50%
2014	\$	137,021	\$	137,021	\$	-	\$	438,494	31.00%
2013	\$	127,192	\$	127,192	\$	-	\$	355,615	31.00%

TOWN OF ADDIS, LOUISIANA

Notes to Required Supplementary Schedules Schedule of Employer's Proportionate Share of the Net Pension Liability and Schedule of Employer's Pension Contributions

December 31, 2019

Changes of Benefit Terms

There were no changes in benefit terms.

Changes of Assumptions

There were no changes in actuarial assumptions.

TOWN OF ADDIS, LOUISIANA

Other Supplementary Information

December 31, 2019

TOWN OF ADDIS, LOUISIANA*Schedule of Compensation Paid to Mayor**Year Ended December 31, 2019***Agency Head Name: Mayor David Toups****Purpose**

Salary	\$ 80,686
Benefits - insurance	25,363
Benefits - retirement	17,646
Social security and medicare employer contributions	7,890
Car allowance	4,800
Registration fees	250
Conferences	150
	<u>\$ 136,785</u>

TOWN OF ADDIS, LOUISIANA*Schedule of Compensation Paid to Town Council**Year Ended December 31, 2019***Council Member**

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

TOWN OF ADDIS, LOUISIANA

Schedule of Insurance in Force

Year Ended December 31, 2019

EMC Insurance	Fidelity Bond - Mayor-David Toups	\$40,000 employee faithful performance bond	9/1/19-9/1/20
Western Surety Co	Fidelity Bond - Police Chief R Anderson	\$40,000 employee faithful performance bond	9/1/19-9/1/20
Louisiana Municipal Risk Management Agency	Workers Compensation	Statutory	1/1/19-12/31/19
EMC Insurance Co	Business Protection - Property & Inland Marine	Buildings, lift stations, EDP equipment	12/12/19-12/12/20
EMC Insurance Co	Crime	Theft; Forgery or Alteration	9/1/19-9/1/20
Louisiana Municipal Risk Management Agency	Auto & Commercial General liability, Errors and Omissions, Law Enforcement Officer	All risks \$500,000 Combined Single Limit; Comprehensive ACV with a \$250 deductible	5/1/19-5/1/20
Assurant	Flood insurance- 7833 Ray Rivet Drive	Building-\$60,100 Contents \$9,600	5/14/19-5/14/20
Assurant	Flood insurance- Town Hall	Building-\$100,000 Contents \$50,000	6/21/19-6/21/20

TOWN OF ADDIS, LOUISIANA***Schedule of Statistical Data******Year Ended December 31, 2019***

Number of sewer customers for the year ended December 31, 2019	2,415
User fee in effect at December 31, 2019:	
Residential:	
First 4,000 gallons of water used	24.00
Every 1,000 gallons of water in excess of 4,000 gallons	3.25
Commercial:	
First 4,000 gallons of water used	38.00
Every 1,000 gallons of water in excess of 4,000 gallons	3.00
Total sewer revenue	\$ 1,905,114
Average monthly bill per user	\$ 65.74

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Addis, Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Addis, Louisiana's basic financial statements and have issued our report thereon dated June 23, 2020.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Baxley & Associates, LLC

Plaquemine, Louisiana

June 23, 2020

TOWN OF ADDIS, LOUISIANA***Schedule of Findings and Responses******December 31, 2019*****Section I-Summary of Audit Results*****Financial Statements***

Type of auditor's report issued: Unmodified

Report on Internal Control and Compliance Material to the Financial Statements

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

Federal Awards

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

Management Letter

No management letter issued.

Section II-Financial Statement Findings

None.

Section III-Independent Auditor's Comment on Resolution of Prior Audit Findings Internal Control Findings2018-001 Incorrect Overtime RatesCondition: In performing a test of payroll, we noted two employees in our sample with incorrect overtime rates.Recommendation: The Town should implement procedures to ensure that all payroll rates agree to approved payroll rates and all calculated rates are correct.Resolution: The finding was resolved.

TOWN OF ADDIS, LOUISIANA***Schedule of Findings and Responses******December 31, 2019*****2018-002** Bank Reconciliations

Condition: In performing bank reconciliation procedures, we noted the following

- At least three checks were written and mailed in January, 2019, but were dated in December, 2018.
- Multiple checks were written and dated in December, 2018 and cleared in January, 2019, but were not listed on the December, 2018 bank reconciliation.
- There were multiple bank accounts with outstanding deposits, adjusting journal entries, and outstanding checks greater than 11 months old that needed to be cleared/corrected.
- An outstanding check dated in January, 2018 for \$16,743 written to transfer funds from one bank account to another was recorded twice, and an outstanding adjusting journal entry appears to offset the check. However, this amount was accrued in revenue in December, 2017 and recorded again to revenue in December, 2018. An adjusting journal entry was made to correct the revenue for the year ended December 31, 2018.

Recommendation: The Town should implement procedures to ensure that bank reconciliations are reviewed and old outstanding items are researched and corrected. Management should review the general ledger and prior year accruals to ensure that accounts are properly stated.

Resolution: The finding was resolved.

TOWN OF ADDIS, LOUISIANA
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2019

BAXLEY AND ASSOCIATES, LLC

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Addis, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Town of Addis and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Town of Addis's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Findings:

We were provided with a copy of the Town's policies and procedures that addressed all items noted in items a through k.

No exceptions were noted as a result of applying the procedure.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes*

referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

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

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings:

We were provided with a listing of the client's bank accounts for the fiscal period along with management's representation that the listing was true and complete.

There were no exceptions in applying the procedure.

Collections

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

Findings:

We were provided with a listing of the deposit sites for the fiscal period along with management's representation that the listing is complete.

No exceptions were noted as a result of applying the procedure.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire

of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Findings:

We were provided with a listing of collection locations associated with the deposit sites along with management's representation that the listing is complete.

The employees responsible for cash collections do not share cash drawers. The employees responsible for collecting cash do prepare/make deposits but the employees reconcile each other's collection documentation to the prepared deposits.

The employee responsible for posting collection entries to the general ledger also collects cash but another employee is responsible for reconciling the postings to the deposit.

The employee responsible for reconciling cash collections to the ledger is responsible for collecting cash but another employee does verify the reconciliation.

No exceptions were noted as a result of applying the procedure.

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

Findings:

Per management, all employees with access to cash are bonded.

No exceptions were noted as a result of applying the procedure.

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

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

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

Findings:

We observed that the receipts were subsequently prenumbered and traced the prenumbered receipts/collection documentation to the deposit slip. We traced the deposit slip total to the actual deposit per the bank statement. We traced the actual deposit per the bank statement to the general ledger. The selected deposits were deposited to the bank within one business day of collections.

No exceptions were noted as a result of applying the procedure.

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

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

Findings:

We were provided with the listing of locations that process payments along with management's representation that the listing is complete.

No exceptions were noted as a result of applying the procedure.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Findings:

At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. At least two employees are involved in processing and approving payments to vendors. The employee responsible for processing payments does modify vendor files but another employee periodically reviews the changes. The signed checks are mailed by an employee that is not responsible for processing payments.

No exceptions were noted as a result of applying the procedure.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain

management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

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

Findings:

For the five transactions selected, we observed that the disbursement matched the related original invoice/billing statement. We observed that at least two employees were involved in initiating the purchase request, approving the purchase, and placing the order/making the purchase. We also observed that at least two employees were involved in processing and approving payments to vendors.

No exceptions were noted as a result of applying the procedure.

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

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

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.])
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.

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

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

Payroll and Personnel

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

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.

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

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.

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

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
- Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Findings:

We received a complete listing of employees employed during the fiscal year along with management's representation that the listing was complete.

We observed documentation demonstrating that each selected employee/official completed one hour of ethics training during the fiscal period along with documentation attesting that he or she has read the entity's policy during the fiscal period.

No exceptions were noted as a result of applying the procedure.

Debt Service

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

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

Other

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

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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

Findings:

Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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

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

Baxley & Associates, LLC

Baxley and Associates, LLC
Plaquemine, Louisiana
June 23, 2020

TOWN OF ADDIS

**Management's Response to Statewide Agreed-Upon Procedures
For the Year Ended December 31, 2019**

Management's Response to Items:

Based upon the fact that prior year exceptions to the agreed upon procedures were corrected in the current year, no response is needed from management.