

TOWN OF LIVONIA, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2021

TOWN OF LIVONIA, LOUISIANA

TABLE OF CONTENTS

December 31, 2021

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditors' Report		1
Management's Discussion and Analysis		4
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	A	13
Statement of Activities	A-1	14
Fund Financial Statements:		
Governmental Fund:		
Balance Sheet	A-2	15
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	A-3	16
Statement of Revenues, Expenditures, and Changes in Fund Balance	A-4	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	A-5	18
Proprietary Fund:		
Statement of Net Position	A-6	19
Statement of Revenues, Expenses, and Changes in Net Position	A-7	20
Statement of Cash Flows	A-8	21
Notes to Financial Statements	A-9	22
Required Supplementary Information:		
General Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B	46
Notes to Required Supplementary Information	B-1	47
Schedule of Proportionate Share of Net Pension Liability	B-2	48

	<u>Exhibit</u>	<u>Page</u>
Schedule of Pension Contributions	B-3	49
Notes to Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions	B-4	50
Other Supplementary Information		
Schedule of Compensation, Benefits, and Other Payments to Agency Head	C	51
Act 87 Justice System Funding Schedule	D	52
OTHER INDEPENDENT AUDITORS' REPORTS		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		53
Schedule of Findings and Recommendations		55
Summary of Findings and Recommendations		56
Schedule of Prior Year Findings and Recommendations		59



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **TOWN OF LIVONIA, LOUISIANA (TOWN)** as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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 as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and the *Louisiana Governmental Audit Guide* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison and pension plan information on pages 4 through 12 and Exhibits B through B-4 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head, and the Act 87 Justice System Funding Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head, and the Act 87 Justice System Funding Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Audit Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 10, 2022, on our consideration of the Town of Livonia, 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 Livonia, 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 Livonia, Louisiana's internal control over financial reporting and compliance.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 10, 2022

TOWN OF LIVONIA, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of The Town of Livonia's (Town) financial performance provides an overview of the Town's financial activities for the year ended December 31, 2021. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. This MD&A should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2021, the Town of Livonia experienced a increase in governmental revenues by less than 1% relative to the prior year, while governmental expenses increased by \$60,208, or 4%, compared to the prior year. The utility fund revenues increased 11% from the prior year due to a increase in the amount of natural gas sales.

The major financial highlights for 2021 are as follows:

Government-wide financial statements

- Assets and deferred outflows of resources of the Town's primary government exceeded its liabilities and deferred inflows of resources at the close of the year by \$4.27 million (net position). Of this amount, \$1.1 million (unrestricted net position) may be used without restrictions to meet the Town's ongoing obligations to citizens.
- The primary government's total net position increased by \$288,967 during 2021.
- Governmental activities' net position increased by \$427,135.
- Business-type activities' net position decreased by \$138,168.

General Fund financial statements

- As of the end of the year, governmental funds reported a fund balance of \$2 million, a increase of \$402,804 in comparison to the prior year. Approximately 39% of the fund balance (\$774,250) is assigned for purposes relating to recreation, municipal complex construction, and general governmental operations.

Significant aspects of the Town's financial well being, as of and for the year ended December 31, 2021, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

The Town's financial statements focus on the government as a whole and on major individual funds. Both government-wide and fund perspectives allow the reader to address relevant questions, broaden a basis for comparison from year to year, and enhance the Town's accountability.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 13 and 14) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

Fund financial statements start on page 15. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

The Town's auditor has provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly presented in all material respects. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the Town as a Whole

The financial statements of the Town as a whole begin on page 13. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and its activities in a way to determine if the Town is in better condition, compared to the prior year. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the current year's revenues and expenses are reported regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the Town's net position and related changes. The Town's financial health, or financial position, can be measured by its net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the Town's operations are divided into two kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including public safety, highway and streets, culture and recreation, and general administration. Property and sales taxes, franchise fees and fines finance most of these activities.

Business-type activities - The Town charges a fee to customers to fund the cost of the gas, water, and sewer services it provides.

At December 31, 2021, the Town's net position was \$4.25 million, of which \$1.1 million is unrestricted and \$2.85 million was the net investment in capital assets. Restricted net position is reported separately to show legal constraints from legislation that limits the Town's ability to use that net position for day-to-day operations. Restricted net position as of December 31, 2021 was \$288,724 and is restricted to meet debt service requirements.

The analysis of the primary government focuses on the net position and change in net position of the Town's governmental activities and business-type activities is as follows:

Town of Livonia, Louisiana
Statements of Net Position
December 31, 2021 and 2020
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,069	\$ 1,680	\$ 673	\$ 448	\$ 2,742	\$ 2,128
Capital assets	<u>1,277</u>	<u>1,394</u>	<u>3,993</u>	<u>4,274</u>	<u>5,270</u>	<u>5,668</u>
Total assets	3,346	3,074	4,666	4,722	8,012	7,796
Deferred outflows of resources	<u>119</u>	<u>276</u>	<u>-</u>	<u>-</u>	<u>119</u>	<u>276</u>
Total assets & deferred outflows of resources	<u>\$ 3,465</u>	<u>\$ 3,350</u>	<u>\$ 4,666</u>	<u>\$ 4,722</u>	<u>\$ 8,131</u>	<u>\$ 8,072</u>
Current and other liabilities	\$ 63	\$ 76	\$ 608	\$ 146	\$ 671	\$ 222
Long-term liabilities	<u>463</u>	<u>1,210</u>	<u>2,224</u>	<u>2,605</u>	<u>2,687</u>	<u>3,815</u>
Total liabilities	<u>526</u>	<u>1,286</u>	<u>2,832</u>	<u>2,751</u>	<u>3,358</u>	<u>4,037</u>
Deferred inflows of resources	<u>527</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>527</u>	<u>79</u>
Net position:						
Net investment in capital assets	1,277	1,367	1,578	1,669	2,855	3,036
Restricted	-	-	289	293	289	293
Unrestricted	<u>1,135</u>	<u>618</u>	<u>(33)</u>	<u>9</u>	<u>1,102</u>	<u>627</u>
Total net position	<u>2,412</u>	<u>1,985</u>	<u>1,834</u>	<u>1,971</u>	<u>4,246</u>	<u>3,956</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,465</u>	<u>\$ 3,350</u>	<u>\$ 4,666</u>	<u>\$ 4,722</u>	<u>\$ 8,131</u>	<u>\$ 8,072</u>

Net position of the Town's governmental activities increased by 23% or \$427,000 during 2021. Unrestricted net position represents the part of net position that can be used to finance day-to-day operations without constraints established by legislation or other legal requirements. The \$1,135,000 in unrestricted net position of governmental activities represents the cumulative results of operations since the Town's inception.

The changes in net position are discussed later in this analysis. The net position of the Town's business activities decreased by 7% or \$138,000 during 2021. The Town operates gas, water, and sewer services for its citizens.

The results of 2021 and 2020 operations for the primary government as reported in the Statement of Activities, are as follows:

Town of Livonia
Statements of Activities
For the years ended December 31, 2021 and 2020
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program:						
Charges for services	\$ 780	\$ 627	\$ 661	\$ 562	\$ 1,441	\$ 1,189
Operating grants	28	198	-	-	28	198
Capital grants	20	58	2	36	22	94
General:						
Sales taxes	454	390	-	-	454	390
Video poker taxes	222	169	-	-	222	169
Franchise taxes	91	82	-	-	91	82
Ad valorem taxes	51	50	-	-	51	50
Other	29	27	8	-	37	27
Total revenues	<u>1,675</u>	<u>1,601</u>	<u>671</u>	<u>598</u>	<u>2,346</u>	<u>2,199</u>
Functions/Program Expenses:						
General government	204	190	-	-	204	190
Public safety	619	914	-	-	619	914
Highway and streets	217	207	-	-	217	207
Health and welfare	3	1	-	-	3	1
Culture and recreation	66	64	-	-	66	64
Utility operations	-	-	948	817	948	817
Total expenses	<u>1,109</u>	<u>1,376</u>	<u>948</u>	<u>817</u>	<u>2,057</u>	<u>2,193</u>
Changes in net position before transfers	566	225	(277)	(219)	289	6
Transfers	<u>(139)</u>	<u>(125)</u>	<u>140</u>	<u>125</u>	<u>1</u>	<u>-</u>
Change in net position	427	100	(137)	(94)	290	6
Beginning net position	<u>1,985</u>	<u>1,885</u>	<u>1,971</u>	<u>2,065</u>	<u>3,956</u>	<u>3,950</u>
Ending net position	<u>\$ 2,412</u>	<u>\$ 1,985</u>	<u>\$ 1,834</u>	<u>\$ 1,971</u>	<u>\$ 4,246</u>	<u>\$ 3,956</u>

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. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is on major funds, rather than generic fund types.

Reporting the Town's Most Significant Funds

The analysis of the Town's major funds begins on page 15 with the fund financial statements that provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council establishes other funds to control and manage money for particular purposes or meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Most of the Town's basic services are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund, the General Fund, is described in a reconciliation to the financial statements. The governmental major fund (Exhibits A-2 and A-4) presentation is presented using modified accrual basis and focuses on the major funds of the Town. The Town's only governmental fund is the General Fund.

Proprietary funds - When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund (Public Utility Fund) is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-9.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the Town's budgetary funds.

Financial Analysis of the Government's Funds

The general government operations of the Town are accounted for in the General Fund. The focus of this fund, as noted earlier, is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. The following is a summary of general governmental operations for 2021 and 2020:

	General Fund	
	2021	2020
	(in thousands)	
Revenues and other financing sources	\$ 1,670	\$ 1,686
Expenditures and other financing uses	1,267	1,240
Net change in fund balance	403	446
Fund balance - beginning	1,604	1,158
Fund balance - ending	\$ 2,007	\$ 1,604

The Town's General Fund experienced an increase in fund balance of \$403,000 during 2021 that primarily resulted from increase in tax revenues compared to the prior year. At year end, the fund's balance was \$2 million, of which \$1.22 million was unassigned and available for utilization at the Town's discretion.

General Fund revenues, excluding other financing sources, are summarized below:

	2021		2020	
	(In thousands)			
Taxes	\$ 822	50%	\$ 695	42%
Fines	681	41%	525	31%
Licenses and permits	83	5%	89	5%
Intergovernmental	48	3%	343	21%
Other	17	1%	21	1%
Total	\$ 1,651	100%	\$ 1,673	100%

Revenues of the General Fund for 2021 totaled approximately \$1.65 million, representing a increase of less than 2% from the previous year due to a \$283,000 increase in tax and fine revenues, while experiencing a \$268,000 decrease in intergovernmental revenues.

As noted on the previous page, the Town's activities are largely supported by fines and taxes, which represented 90% of total governmental resources during 2021.

Expenditures of the primary government increased by \$40,000 or 4% in 2021, primarily related to a increase in public safety (\$10,000) and general government (\$17,000) expenditures. Governmental expenditures by functions are summarized as follows:

<u>Function</u>	2021		2020	
	(In thousands)			
General government	\$ 195	17%	\$ 177	16%
Public safety	687	61%	677	61%
Highways and streets	178	16%	175	16%
Culture and recreation	24	2%	20	2%
Health and welfare	3	1%	1	1%
Capital outlay	41	6%	65	4%
Total	<u>\$ 1,128</u>	<u>100%</u>	<u>\$ 1,115</u>	<u>100%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town's General Fund budget was amended which is a customary practice of the Town for changes that occur with financial matters. The most significant changes during 2021 were as follows:

- A increase in fines revenue of \$132,000,
- An increase in public safety expenditures of \$10,000,
- A increase in sales revenue of \$65,000,
- A decrease in investment income of \$16,000.

With these adjustments, revenues were \$61,000 more than the related final budget amounts of \$1.59 million, and charges to appropriations (expenditures) were \$10,000 more than the related final budget appropriation of \$1.1 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the Town had \$5.3 million invested in a broad range of capital assets, including vehicles, computer equipment, office furniture, land, buildings, water and gas distribution systems, and a sewer treatment facility.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
	(in thousands)					
Land	\$ 131	\$ 131	\$ 36	\$ 36	\$ 167	\$ 167
Construction in process	-	-	-	-	-	-
Buildings	451	472	56	60	507	532
Infrastructure	488	536	-	-	488	536
Furniture and equipment	84	95	132	124	216	219
Vehicles	41	78	8	11	49	89
Tractors	82	82	-	-	82	82
Utility systems	-	-	3,761	4,043	3,761	4,043
Capital assets, net of depreciation	<u>\$ 1,277</u>	<u>\$ 1,394</u>	<u>\$ 3,993</u>	<u>\$ 4,274</u>	<u>\$ 5,270</u>	<u>\$ 5,668</u>

The Town elected to capitalize infrastructure assets on a prospective basis as a Phase 3 government, which is permitted by GASB No. 34. More detailed information about the Town's capital assets is presented in Note 6 to the financial statements.

Long-term Debt

At the end of 2021, the Town had \$2.9 million in long-term debt outstanding related to the sewer construction project and net pension liability. This represents a decrease of \$936,196 from 2020, as shown below:

	Balance Beginning of Year	Additions	Reductions	Balance end of Year	Amount due within one year
Public improvement revenue bonds	\$ 2,605,151	\$ -	\$ 190,000	\$ 2,415,151	\$ 191,000
Net pension liability	1,210,071	-	746,196	463,875	-
	<u>\$ 3,815,222</u>	<u>\$ -</u>	<u>\$ 936,196</u>	<u>\$ 2,879,026</u>	<u>\$ 191,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town's elected and appointed officials considered many factors when setting the 2021 budget and tax rates. One of those factors is the local economy, with the major economic industries in the surrounding area being agriculture and manufacturing.

An important factor affecting the budget is the Town's sales taxes and fines and forfeitures revenues which approximate 81% of budgeted revenue in the General Fund. The Town budgeted a increase in revenue of \$68,000 in the General Fund compared to results for the current year. The increase relates to revenue to be received from taxes and fines. Additionally, the Town is projecting a increase in expenditures of \$190,000 compared to the current year relating to a increase in general government and public safety expenditures in the General Fund. If these estimates are realized during 2022, the Town's General Fund balance will increase by \$4,943 compared to an increase of \$402,804 during 2021.

Contacting the Town's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show accountability for the money the Town receives. Questions about this report or a need for additional financial information should be directed to the Town's Finance Office at (225) 637-2981 or P.O. Box 307, Livonia, LA 70755.

BASIC FINANCIAL STATEMENTS

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF NET POSITION

December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,861,686	\$ 68,005	\$ 1,929,691
Accounts receivable, net	70,049	60,096	130,145
Due from other governments	26,588	4,621	31,209
Internal balances	100,000	(100,000)	-
Prepaid assets	11,326	5,887	17,213
Restricted assets:			
Grant advances	-	259,318	259,318
Customer utility deposits	-	85,930	85,930
Debt service	-	288,724	288,724
Capital assets:			
Nondepreciable	130,537	36,073	166,610
Depreciable, net	1,146,063	3,956,996	5,103,059
Total assets	3,346,249	4,665,650	8,011,899
DEFERRED OUTFLOWS OF RESOURCES			
Pension liability	119,050	-	119,050
Total assets and deferred outflows of resources	\$ 3,465,299	\$ 4,665,650	\$ 8,130,949
LIABILITIES			
Accounts payable and accrued liabilities	\$ 62,927	\$ 72,092	\$ 135,019
Customer utility deposits	-	85,930	85,930
Unearned revenue - grant advances	-	259,318	259,318
Long-term payables:			
Due within one year	-	191,000	191,000
Due in more than one year	-	2,224,151	2,224,151
Net pension liability	463,875	-	463,875
Total liabilities	526,802	2,832,491	3,359,293
DEFERRED INFLOWS OF RESOURCES			
Pension liability	526,629	-	526,629
Total liabilities and deferred inflows of resources	1,053,431	2,832,491	3,885,922
NET POSITION (DEFICIT)			
Net investment in capital assets	1,276,600	1,577,918	2,854,518
Restricted for debt service	-	288,724	288,724
Unrestricted	1,135,268	(33,483)	1,101,785
Total net position (deficit)	2,411,868	1,833,159	4,245,027
Total liabilities, deferred inflows of resources, and net position (deficit)	\$ 3,465,299	\$ 4,665,650	\$ 8,130,949

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Program Revenues				Net Revenue (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 204,146	\$ 93,412	\$ 1,745	\$ -	\$ (108,990)	\$ -	\$ (108,990)
Public safety	619,270	680,845	24,367	19,696	105,638	-	105,638
Highway and streets	217,487	-	1,745	-	(215,742)	-	(215,742)
Health and welfare	2,782	204	-	-	(2,578)	-	(2,578)
Culture and recreation	65,789	5,625	-	-	(60,164)	-	(60,164)
Total governmental activities	1,109,474	780,086	27,856	19,696	(281,836)	-	(281,836)
Business-type activities:							
Utility operations	948,331	660,491	2,022	-	-	(285,818)	(285,818)
Total primary government	<u>\$ 2,057,805</u>	<u>\$ 1,440,577</u>	<u>\$ 29,878</u>	<u>\$ 19,696</u>	(281,836)	(285,818)	(567,654)
General revenues:							
Taxes:							
Sales					453,518	-	453,518
Video poker					222,358	-	222,358
Franchise					91,316	-	91,316
Ad valorem					51,067	-	51,067
Beer					3,744	-	3,744
Grants and contributions not restricted to specific programs					19,447	-	19,447
Investment earnings					951	-	951
Gain on sale of capital assets					5,883	8,187	14,070
Transfers					(139,313)	139,313	-
Total general revenues					708,971	147,500	856,471
Change in net position					427,135	(138,318)	288,817
Net position - beginning of year					1,984,733	1,971,477	3,956,210
Net position - end of year					<u>\$ 2,411,868</u>	<u>\$ 1,833,159</u>	<u>\$ 4,245,027</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

BALANCE SHEET GOVERNMENTAL FUND

December 31, 2021

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,861,686
Accounts receivable, net	70,049
Due from other governments	26,588
Due from Public Utility Fund	100,000
Prepaid assets	11,326
Total assets	\$ 2,069,649
LIABILITIES	
Accounts payable and accrued liabilities	\$ 62,927
FUND BALANCE	
Nonspendable	11,326
Assigned	774,255
Unassigned	1,221,141
Total fund balance	2,006,722
Total liabilities, deferred inflows of resources, and fund balance	\$ 2,069,649

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

December 31, 2021

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

Total fund balance - governmental fund (Exhibit A-2)		\$ 2,006,722
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental fund, net of accumulated depreciation.		1,276,600
Pension related obligations are not due and payable with current resources and, therefore, are not reported in governmental funds.		
Deferred outflows related to pension liability	119,050	
Deferred inflows related to pension liability	(526,629)	
Net pension liability	(463,875)	(871,454)
Net position of governmental activities (Exhibit A)		\$ 2,411,868

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

For the year ended December 31, 2021

	<u>General Fund</u>
REVENUES	
Taxes:	
Sales and use	\$ 453,518
Video poker	222,358
Franchise	91,316
Ad valorem	51,067
Beer	3,744
Fines	680,845
License and permits	82,944
Intergovernmental	47,552
Charges for services	16,297
Investment income	951
	<hr/>
Total revenues	1,650,592
	<hr/>
EXPENDITURES	
Current function:	
General government	194,519
Public safety	687,141
Highways and streets	178,916
Health and welfare	2,782
Culture and recreation	23,921
Capital outlay	40,946
	<hr/>
Total expenditures	1,128,225
	<hr/>
Excess of revenues over expenditures	522,367
	<hr/>
OTHER FINANCING SOURCES (USES)	
Proceeds from sale of capital assets	19,750
Transfers out to Public Utility Fund	(139,313)
	<hr/>
Total other financing sources (uses)	(119,563)
	<hr/>
Net change in fund balance	402,804
FUND BALANCE	
Beginning of year	1,603,918
	<hr/>
End of year	\$ 2,006,722
	<hr/>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES**

For the year ended December 31, 2021

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

Net change in fund balance - total governmental funds (Exhibit A-4)	\$	402,804
<p>The governmental fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.</p>		
Capital outlay		40,946
Depreciation expense		(144,334)
		(103,388)
Net effect of various transactions involving capital assets, trade-ins, and donations, is to decrease net position.		(13,867)
Changes in net pension obligations are reported only in the Statement of Activities		141,586
Change in net position of governmental activities (Exhibit A-1)	\$	427,135

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND

December 31, 2021

	<u>Public Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 68,005
Accounts receivable, net	60,096
Due from other governments	4,621
Prepaid expenses	5,887
Total current assets	138,609
Restricted assets:	
Grant advances	259,318
Customer utility deposits	85,930
Debt service	288,724
Capital assets:	
Nondepreciable	36,073
Depreciable, net	3,956,996
Total assets	\$ 4,765,650
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 72,092
Due to General Fund	100,000
Customer utility deposits	85,930
Unearned revenue - grant advance	259,318
Total current liabilities	517,340
Non-current liabilities:	
Due within one year	191,000
Due in more than one year	2,224,151
Total liabilities	2,932,491
NET POSITION (DEFICIT)	
Net investment in capital assets	1,577,918
Restricted for debt service	288,724
Unrestricted	(33,483)
Total net position (deficit)	1,833,159
Total liabilities and net position (deficit)	\$ 4,765,650

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND

For the year ended December 31, 2021

	<u>Public Utility Fund</u>
OPERATING REVENUES	
Charges for services:	
Natural gas	\$ 248,089
Water	198,596
Sewer	179,170
Other	<u>34,636</u>
Total operating revenues	<u>660,491</u>
OPERATING EXPENSES	
Depreciation	308,989
Personnel	271,535
Maintenance and supplies	160,170
Natural gas purchases	65,722
Utilities	44,503
General and administrative	38,175
Insurance	30,064
Professional services	<u>17,877</u>
Total operating expenses	<u>937,035</u>
Operating loss	(276,544)
NONOPERATING	
Operating grants	2,022
Gain on sale of capital assets	8,187
Interest	<u>(11,296)</u>
Total nonoperating, net	<u>(1,087)</u>
Deficiency before transfers in	(277,631)
Transfers in from General Fund	<u>139,313</u>
Change in net position	(138,318)
NET POSITION	
Beginning of year	<u>1,971,477</u>
End of year	<u>\$ 1,833,159</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS**

For the year ended December 31, 2021

	<u>Public Utility Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 661,841
Payments to suppliers	(347,670)
Payments to employees	<u>(271,535)</u>
Net cash provided by operating activities	<u>42,636</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in customer deposits	(2,075)
Grants and contributions - FEMA	2,022
Transfers in from other funds	139,313
Increase in due to other funds	<u>50,000</u>
Net cash provided by noncapital financing activities	<u>189,260</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants and contributions	261,693
Purchases of capital assets	(27,774)
Principal payment on bonds	(190,000)
Interest payments on bonds	(11,296)
Proceeds from sale of equipment	<u>8,240</u>
Net cash provided by capital and related financing activities	<u>40,863</u>
Net increase in cash	272,759
CASH	
Beginning of period	<u>429,218</u>
End of period	<u>\$ 701,977</u>
RECONCILIATION OF CASH	
Cash and cash equivalents	\$ 68,005
Restricted cash and cash equivalents	<u>633,972</u>
Total cash	<u>\$ 701,977</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (276,544)
Adjustments for to reconcile operating loss to net cash provided by operating activities:	
Depreciation	308,989
Change in operating assets and liabilities:	
Accounts receivable and other assets	198
Accounts payable and accrued liabilities	<u>9,993</u>
Net cash provided by operating activities	<u>\$ 42,636</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

The Town of Livonia was established in 1846, incorporated in 1960 and is a political subdivision of the State of Louisiana. The Town, under the provisions of the Lawrason Act, enacts ordinances, sets policy and establishes programs in such fields as public safety, public works, health and welfare, culture and recreation, and utility operations.

The financial statements of the Town of Livonia, Louisiana (Town) have been prepared in conformity 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 most significant accounting policies established in GAAP and used by the Town are described below. The Town follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain significant components in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations,
- Financial statements prepared using accrual basis accounting for all of the Town’s activities, including infrastructure (roads, bridges, etc.), and
- Fund financial statements to focus on the major funds.

Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary municipal government, and where applicable (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, as amended by GASB Statement No. 61, established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization, and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the Town and, where applicable, its component units. However, there are no component units to be included either blended within the Town's funds or discretely presented in these financial statements.

Basis of Presentation

The Town's basic financial statements consist of the government-wide statements of the primary government and the fund financial statements (individual major funds). The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units.

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all non-fiduciary activities of the Town. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These statements distinguish between the governmental and business-type activities of the Town.

Governmental activities generally are financed through taxes, intergovernmental revenues, fines, charges for services, and other nonexchange revenues.

Business type activities are financed in whole or in part by fees charged to external parties for utility services provided. The Town's natural gas, sewer, and water services are classified as business-type activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (Continued)

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

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements. The Town does not have any non-major funds in 2021.

The daily operations of the Town continue to be organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The Town does not have any fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the Town (the General Fund) or meets the following criteria:

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

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds of the primary government presented in the financial statements are described as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the Town are accounted for through governmental funds. Measurement is focused upon determining changes in financial position, rather than net income.

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

Proprietary Fund Types

Enterprise Funds – Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Town considers the Public Utilities Fund a major enterprise fund.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Program revenues for governmental activities include operating and capital grants, traffic fines, and occupational licenses and permits.

Fund financial statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in fund balance. Governmental funds are maintained on the modified accrual basis of accounting. Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectible within the current period or within 60 days after year-end. Charges for services, fines and forfeitures, and most governmental revenues, are recorded as earned since they are measurable and available.

Nonexchange transactions, in which the Town receives value without directly giving value in return, includes sales tax, ad valorem tax, and intergovernmental grants. Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15th of each year, and become delinquent after December 31st. The taxes are generally collected in December of the current year and January and February of the following year.

Sales taxes are recorded when in the possession of the intermediary collecting agent and are recognized as revenue at that time and are subject to the availability criteria. Grants are recorded as revenue when the Town is entitled to the funds, generally corresponding to when grant related costs are incurred by the Town, but subject to the availability criteria.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments, and compensated absences which are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued)

Fund financial statements (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. Proprietary funds are maintained on the accrual basis of accounting whereas revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

Cash and Cash Equivalents

Cash and cash equivalents for the Town include the Louisiana Asset Management Pool (LAMP) account deposits as well as the Town's operating cash accounts.

The investment policy of the Town is governed by state statutes that include depository and custodial contract provisions. The Town invests funds in accordance with L.R.S. 39:1211-1245 and 33:2955 which include, but are not limited to, United States Treasury Bonds, Treasury Notes, Treasury Bills, and fully collateralized interest bearing checking accounts and certificates of deposit. Other provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the Town has a custodial agreement. The Town primarily utilizes the LAMP to invest idle funds.

For purposes of the Statement of Cash Flows, liquid investments of the enterprise fund with a maturity of three months or less are considered to be cash equivalents.

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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 2.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. In government activities and business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. An allowance for doubtful accounts of \$3,300 and \$12,000 in the General Fund and Utility Fund, respectively, was recorded at December 31, 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as “due from other funds” or “due to other funds” on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” The Public Utility Fund owed the General Fund \$100,000 at December 31, 2021.

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Major capital outlays for capital assets and improvements are capitalized at the completion of construction projects.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

Prior to the implementation of GASB No. 34, governmental fund’s infrastructure assets were not capitalized. The Town has elected to capitalize infrastructure expenditures on a prospective basis.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Government-wide Statements (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	10 - 40 years
Infrastructure	15 - 40 years
Furniture	5 - 10 years
Vehicles	5 - 10 years
Tractors	5 - 10 years

Fund Financial Statements

In the fund financial statements capital assets used in governmental fund operations are recorded as capital outlay expenditures of the governmental fund types when purchased. Capital assets used in proprietary fund operations are accounted for in the same manner as in government-wide statements.

Property, plant and equipment used by the proprietary funds are stated at cost. Interest costs incurred during construction periods are capitalized. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	7 - 40 years
Utility systems	5 - 50 years
Machinery and equipment	3 - 10 years
Furniture and equipment	10 years
Vehicles	5 years

Compensated Absences

The Town has the following policy relating to compensated absences:

<u>Length of Service</u>	<u>Annual Earned Hourly Allowance</u>
Less than 1 year	80
1 - 4 years	160
5 - 8 years	200
9 - 14 years	240
15+ years	280

An employee may not carry over more than 264 hours of compensated absences from one calendar year to another. A liability has been accrued in the fund financial statements for compensated absences as the Town anticipates that all compensated absence hours will be utilized in the subsequent year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and related debt that was used to acquire those assets.
- Restricted net position – consist of net position that is restricted by the Town’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

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

- Nonspendable – amounts that cannot be spent because they are either in a nonspendable form or 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 council ordinance.
- 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 Council.
- Unassigned – all amounts not included in other spendable classifications.

Use of Restricted Resources

When an expense is incurred in governmental funds that can be paid using either restricted or unrestricted resources (fund balance), the Town’s policy is to apply the expenditure in the following priority:

1. Restricted fund balance,
2. Committed fund balance,
3. Assigned fund balance, and
4. Unassigned fund balance.

When an expense is incurred in government activities that can be paid using either restricted or unrestricted resources (net position), the Town’s policy is to first apply the expense to the restricted net position before unrestricted net position is utilized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transfers

Advances between funds which are not expected to be repaid are accounted for as transfers.

In cases where repayment is expected, the advances are accounted through the various interfund accounts. The General Fund transferred \$139,313 to the Utility Fund to assist in funding debt service requirements.

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified accrual basis, covers the General Fund and Public Utility Fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unassigned fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Sales and Use Tax

The Town has a permanent one cent sales and use tax that is available for general purposes.

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 disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for uncollectible accounts, capital assets, depreciation, net pension liability, and deferred revenue.

Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through June 10, 2022, which was the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Town may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to them. To mitigate this risk, state law requires public deposits to be secured by federal deposit insurance or the pledge of qualified securities owned by the fiscal agent financial institution. As of December 31, 2021, the Town had no unsecured deposits.

Louisiana Asset Management Pool (LAMP)

LAMP is administered by a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pools of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public investments.

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

- Credit risk: LAMP is rated AAA by Standard & Poor's.
- Custodial risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 45 days as of December 31, 2021.
- Foreign currency risk: Not applicable.

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

As of December 31, 2021, the Town had a balance of \$1,756,357 invested in LAMP.

The government’s investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government’s name, (2) uninsured and unregistered for which the securities are held by the broker’s or dealer’s trust department or agent in the government’s name, or (3) uninsured and unregistered for which securities are held by the broker or dealer, or by its trust department or agent but not in the government’s name.

Cash and cash equivalents consisted of the following as of December 31, 2021:

Unrestricted:

Investments in LAMP	\$ 1,566,457
Deposits	363,034
Cash on hand	200
Total unrestricted	\$ 1,929,691

Restricted:

Investments in LAMP	\$ 189,900
Deposits	444,072
Total restricted	\$ 633,972

NOTE 3 - CONCENTRATION OF CREDIT RISK - ENTERPRISE FUND

Accounts receivable and related user fees from utility customers were comprised largely of residents in the Town. Most customers have made deposits to partially secure their outstanding balance. During 2021, one commercial customer represented approximately 22% of total water revenues for the Town.

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Accounts receivable at December 31, 2021 for the primary government, were as follows:

Primary Government

Utility charges, net	\$	60,096
Ad valorem taxes		43,040
Franchise taxes		22,694
Other, net		4,315
Total primary government	\$	130,145

Due from other governments at December 31, 2021 for the primary government, were:

Primary Government

Video poker taxes	\$	23,099
Grants receivable - other		8,110
Total primary government	\$	31,209

NOTE 5 - AD VALOREM TAXES

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15% of fair market value; and public service properties, excluding land, are to be assessed at 25% of fair market value.

Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

All ad valorem (property) taxes are recorded in governmental funds, and as explained in Note 1, and are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the taxes assessed for the calendar year falling within the current fiscal year are recorded as revenue. Property taxes are collected by the tax collector and remitted to the Town within the availability period, and are therefore available to liquidate liabilities of the current period.

Taxes are levied by the Town in September or October, and are billed to the taxpayers in November. Billed taxes become delinquent on December 31st. Revenues from ad valorem taxes are budgeted in the year assessed. Ad valorem taxes attach as an enforceable lien on property as of January 1st of each year.

NOTE 5 - AD VALOREM TAXES (CONTINUED)

For 2021, taxes of 4.83 mills were levied on property with assessed valuations totaling \$10,670,295 and were dedicated to general governmental operations. Total taxes levied were \$51,538.

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 130,537	\$ -	\$ -	\$ 130,537
Capital assets being depreciated:				
Buildings and improvements	787,479	-	-	787,479
Infrastructure	1,013,176	-	-	1,013,176
Furniture and equipment	573,014	13,446	7,330	579,130
Vehicles	236,437	-	-	236,437
Tractors	<u>260,977</u>	<u>27,500</u>	<u>45,037</u>	<u>243,440</u>
Total capital assets being depreciated	<u>2,871,083</u>	<u>40,946</u>	<u>52,367</u>	<u>2,859,662</u>
Less accumulated depreciation for:				
Buildings and improvements	(315,637)	(21,109)	-	(336,746)
Infrastructure	(476,551)	(48,216)	-	(524,767)
Furniture and equipment	(478,406)	(23,918)	(7,330)	(494,994)
Vehicles	(158,673)	(36,506)	-	(195,179)
Tractors	<u>(178,498)</u>	<u>(14,585)</u>	<u>(31,170)</u>	<u>(161,913)</u>
Total accumulated depreciation	<u>(1,607,765)</u>	<u>(144,334)</u>	<u>(38,500)</u>	<u>(1,713,599)</u>
Total capital assets being depreciated, net	<u>1,263,318</u>	<u>(103,388)</u>	<u>13,867</u>	<u>1,146,063</u>
Total governmental capital assets, net	<u>\$1,393,855</u>	<u>\$(103,388)</u>	<u>\$ 13,867</u>	<u>\$1,276,600</u>

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Town as follows:

	Amount
Governmental activities:	
Public safety	\$ 54,268
Culture and recreation	41,869
Highways and streets	38,570
General government	9,627
Total depreciation expense - governmental activities	\$ 144,334

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 36,073	\$ -	\$ -	\$ 36,073
Capital assets being depreciated:				
Buildings and improvements	121,920	-	-	121,920
Natural gas system	260,476	-	-	260,476
Water system	1,949,808	-	-	1,949,808
Sewer system	5,069,259	-	-	5,069,259
Machinery and equipment	301,316	27,774	55,000	274,090
Furniture and equipment	16,766	-	-	16,766
Vehicles	91,290	-	-	91,290
Total capital assets being depreciated	7,810,835	27,774	55,000	7,783,609
Less accumulated depreciation for:				
Buildings and improvements	(62,130)	(4,072)	-	(66,202)
Natural gas system	(216,276)	(6,961)	-	(223,237)
Water system	(1,536,778)	(71,873)	-	(1,608,651)
Sewer system	(1,483,898)	(203,429)	-	(1,687,327)
Machinery and equipment	(178,109)	(18,733)	(55,000)	(141,842)
Furniture and equipment	(15,490)	(961)	-	(16,451)
Vehicles	(79,943)	(2,960)	-	(82,903)
Total accumulated depreciation	(3,572,624)	(308,989)	(55,000)	(3,826,613)
Total capital assets being depreciated, net	4,238,211	(281,215)	-	3,956,996
Total business-type capital assets, net	\$ 4,274,284	\$ (281,215)	\$ -	\$ 3,993,069

Depreciation expense for business-type activities for 2021 was \$308,989.

NOTE 7 - LONG-TERM LIABILITIES

Long-term debt obligations for the primary government at December 31, 2021, are comprised of the following:

Public Improvement Revenue Bonds – business type activities

\$3,696,000 Sewer revenue bonds dated November 1, 2012; due in annual installments of \$184,000 – \$211,000 through May 2033; interest at 0.45% \$ 2,415,151

Net pension liability – governmental activities 463,875

Total long-term debt for primary government \$ 2,879,026

The summary of long-term debt transactions for the primary government for the year ended December 31, 2021, is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Amount due within one year
Public improvement revenue bonds	\$ 2,605,151	\$ -	\$ 190,000	\$ 2,415,151	\$ 191,000
Net pension liability	<u>1,210,071</u>	<u>-</u>	<u>746,196</u>	<u>463,875</u>	<u>-</u>
	<u>\$ 3,815,222</u>	<u>\$ -</u>	<u>\$ 936,196</u>	<u>\$ 2,879,026</u>	<u>\$ 191,000</u>

Debt Service Requirements to Maturity

The annual debt service requirements to amortize outstanding long-term debt of the primary government at December 31, 2021 are as follows:

Year	Sewer Revenue Bonds			
	Principal	Interest	DEQ Fees	Total
2022	\$ 191,000	\$ 10,438	\$ 11,598	\$ 213,036
2023	193,000	9,574	10,638	213,212
2024	195,000	8,701	9,667	213,368
2025	197,000	7,819	8,687	213,506
2026	199,000	6,928	7,698	213,626
2027 - 2031	1,021,000	21,007	23,343	1,065,350
2032 - 2033	<u>419,151</u>	<u>1,879</u>	<u>2,087</u>	<u>423,117</u>
Total	<u>\$ 2,415,151</u>	<u>\$ 66,346</u>	<u>\$ 73,718</u>	<u>\$ 2,555,215</u>

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Bond Restrictions

Sewer Revenue Bond - Series 2012 - Debt Service Fund to be used for the payment of principal and interest on outstanding bonds as they are due and payable. Monthly payments are to be equal to the sum of one-sixth of interest and administrative fees falling due on the next interest payment date and one-twelfth of principal falling due on the next principal payment date. The sum of \$171,932 has been deposited for this requirement.

Sewer Revenue Bond - Series 2012 - Reserve Fund to be used for the payment of principal and interest on bonds payable from the Bond Sinking Fund, as to which there would otherwise be default. The sum of \$103,970 has been deposited therein for this requirement.

Sewer Revenue Bond - Series 2012 - Depreciation & Contingency Fund to be used for the payment of extensions, additions, improvements, renewals, and replacements necessary to properly operate the system. Monthly deposits are to be equal to the sum of 5% of the net revenues of the preceding month, provided the sum is available, until \$130,000 has accumulated in the fund. The fund has a balance of \$12,822 as of December 31, 2021 for this requirement.

NOTE 8 - PENSION PLAN

The Town of Livonia (the Town) is a participating employer a cost sharing defined benefit pension plans. This plans is administered by the Municipal Police Employee's Retirement System (MPERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. Each system is administered by a separate board of trustees.

Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan Description

The Municipal Police Employees' Retirement System (MPERS) is the administrator of a cost-sharing multiple-employer 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 meets the statutory criteria. 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. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

NOTE 8 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

The System issues an annual financial report that is available to the public which includes financial statements and required supplementary information for the System. This report may be obtained by writing, calling, or downloading the reports as follows:

MPERS: 7722 Office Park Boulevard | Baton Rouge, Louisiana 70809 | www.lampers.org

Funding Policy

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer’s portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems’ Actuarial Committee (PRSAC).

Contributions to the plan are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended December 31, 2021, for the Town and covered employees were as follows:

	Town	Employees
Municipal Police Employees' Retirement System		
All employees hired prior to 01/01/2013 and all		
Hazardous Duty employees hired after 01/01/2013	33.75%	10.00%
Non-Hazardous Duty (hired after 01/01/2013)	33.75%	8.00%
Employees receiving compensation below poverty guidelines of US Department of Health	36.25%	7.50%

The Town made contributions of \$105,872, \$102,718, and \$144,951 during 2021, 2020, and 2019, respectively.

(continued)

NOTE 8 - PENSION PLAN (CONTINUED)

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

At December 31, 2021, the Town reported a net pension liability of \$463,875 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Based on actuarial valuations as of June 30, 2021, the Town's proportion was .0870%, which was a decrease of .0439% from its proportion measured as of June 30, 2020 at .1309%.

For the year ended December 31, 2021, the Town recognized pension expense of \$122,139 related to the plan, non-employer contributions were \$19,447.

At December 31, 2021, 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	\$ -	\$ 14,286
Changes of assumptions	51,372	13,232
Net difference between projected and actual earnings on pension plan investments	-	216,593
Changes in proportion and differences between Employer contributions and proportionate share of contributions	10,255	282,518
Employer contributions subsequent to the measurement date	57,423	-
	\$ 119,050	\$ 526,629

The Town reported \$57,423 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 December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

December 31, 2022	\$ (125,824)
December 31, 2023	(129,855)
December 31, 2024	(134,705)
December 31, 2025	(74,618)
	\$ (465,002)

NOTE 8 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2021 valuation were based on the assumptions used in the June 30, 2021 actuarial finding and valuation and were based on the results of an actuarial experience study for the period of July 1, 2009 through June 30, 2014.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2021 are as follows:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	6.750%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.50%

Salary increases, including inflation and merit:

<u>Years of Service</u>	<u>Salary Growth Rate</u>
1-2	12.30%
2+	4.70%

Mortality:

For annuities and beneficiaries, the Pub-2010 public retirement plan mortality table for safety below-median healthy retirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP 2019 scale was used

For disabled lives, the Pub-2010 public retirement plans mortality table for safety disable retirees multiplied by 105% for males and 115% for females, each with full generational projection using the MP2019 scale was used.

For employees, the Pub-2010 public retirement plans mortality table for safety below-median employees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used.

NOTE 8 - PENSION PLAN (CONTINUED)

Cost of Living Adjustments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting long-term rate of return is 7.30% for the System year ended June 30, 2021.

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.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2021 are as follows:

Asset Class	Target Allocation	Long - Term Expected
	MPERS	MPERS
Equity	55.50%	3.47%
Fixed Income	30.50%	0.59%
Alternatives	14.00%	1.02%
Total	100.00%	5.08%
Inflation		2.22%
Expected Arithmetic Nominal Return		7.30%

NOTE 8 - PENSION PLAN (CONTINUED)

Discount Rate

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the 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. The discount rate used to measure the total pension liability for MPERS was 6.750% for the year ended June 30, 2021.

Sensitivity to Changes in Discount Rate

The following presents the Town’s proportionate share of the Net Pension Liability (NPL) using the discount rate of each Retirement System as well as what the Town’s proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by MERS:

	1.0% Decrease	Current Discount Rate	1.0% Increase
Discount Rates	5.750%	6.750%	7.750%
Shares of Net Pension Liability	\$ 808,461	\$ 463,875	\$ 176,262

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There were no major changes in insurance coverage from the prior year and settlements have not exceeded coverage in the current year or in the past three years.

Grants

The Town receives federal and state grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the Town management that its compliance with the terms of grants will result in negligible, if any, disallowed costs.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grant Advances – Unearned Revenue

In 2021, Town received grant funds related to the American Rescue Plan Act (ARPA), which provides the Town resources for revenue replacement due to COVID-19, expenditures related to COVID-19, as well as investments in infrastructure. The funds are classified on the statement of net position in the Town's proprietary funds as grant advances – unearned revenue since no expenditures have been incurred through December 31, 2021.

NOTE 10 - DEFERRED COMPENSATION PLAN

The Town offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, permitting them to defer a portion of their salary until future years. The Plan is administered by Empower Retirement who is also the Plan's Trustee.

Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of the Internal Revenue Code, all amounts deferred under the Plan, including income attributable to those amounts, are solely the property and rights of the participants and their beneficiaries.

Empower held Plan assets of \$599,510 at December 31, 2021.

The Town has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Under this statement governments that have no responsibility for the Plan and are not formally considered the Plan's trustee are not required to report the Plan in its financial statements. Since the Town's Plan is held in a custodial account with a third party administrator, the assets and liabilities are not presented in the Town's financial statements.

NOTE 11 - COMPENSATION OF GOVERNING BODY

During 2021, Council members received compensation as follows:

	<u>Amount</u>
Henry Watson	\$ 6,050
Gregory M. Jarreau	6,050
John T. Jarreau	6,025
Ron V. Leblanc	6,050
Warren C. Pourciau	3,500
Billie Pourciau	2,050
Total	\$29,725

TOWN OF LIVONIA, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF LIVONIA, LOUISIANA
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance - positive (negative)
REVENUES				
Taxes:				
Sales	\$ 385,000	\$ 442,500	\$ 453,518	\$ 11,018
Video poker	170,000	203,000	222,358	19,358
Franchise	88,500	88,200	91,316	3,116
Ad valorem	49,000	51,537	51,067	(470)
Beer	4,400	3,600	3,744	144
Fines	505,575	637,781	680,845	43,064
Licenses and permits	82,500	91,700	82,944	(8,756)
Intergovernmental	46,696	51,279	47,552	(3,727)
Charges for services	14,280	16,080	16,297	217
Investment income	8,368	4,069	951	(3,118)
Total revenues	<u>1,354,319</u>	<u>1,589,746</u>	<u>1,650,592</u>	<u>60,846</u>
EXPENDITURES				
Current function:				
General government	183,441	189,043	194,519	(5,476)
Public safety	623,075	680,681	687,141	(6,460)
Highways and streets	191,840	184,245	178,916	5,329
Health and welfare	500	2,750	2,782	(32)
Culture and recreation	23,935	23,418	23,921	(503)
Capital outlay	77,877	68,688	40,946	27,742
Total expenditures	<u>1,100,668</u>	<u>1,148,825</u>	<u>1,128,225</u>	<u>20,600</u>
Excess of revenues over expenditures	<u>253,651</u>	<u>440,921</u>	<u>522,367</u>	<u>81,446</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	19,750	19,750	-
Transfers out	(147,500)	(139,313)	(139,313)	-
Total other financing sources (uses)	<u>(147,500)</u>	<u>(119,563)</u>	<u>(119,563)</u>	<u>-</u>
Net change in fund balance	<u>\$ 106,151</u>	<u>\$ 321,358</u>	<u>\$ 402,804</u>	<u>\$ 81,446</u>
FUND BALANCE				
Beginning of year			<u>1,603,918</u>	
End of year			<u>\$ 2,006,722</u>	

TOWN OF LIVONIA, LOUISIANA
NOTE TO BUDGETARY INFORMATION

For the year ended December 31, 2021

NOTE 1 - BUDGET

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified accrual basis, covers the general fund and enterprise fund (accrual basis). At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unassigned fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Basis of Accounting

The Town's General Fund budget is prepared on the modified accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended December 31, 2021. The Town's basis of budgetary accounting follows generally accepted accounting principles.

TOWN OF LIVONIA, LOUISIANA
SCHEDULE OF PROPORTIONATE SHARE
OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS (1)(2)

	MPERS	
	2021	2020
As of the fiscal year ended (2):		
Employer's Proportion of the Net Pension Liability	0.0870%	0.1309%
Employer's Proportionate Share of the Net Pension Liability	\$ 463,875	\$ 1,210,071
Employer's Covered Payroll	\$ 288,252	\$ 379,315
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	160.93%	319.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.088%	70.945%
As of the fiscal year ended (2):	2019	2018
Employer's Proportion of the Net Pension Liability	0.1284%	0.1297%
Employer's Proportionate Share of the Net Pension Liability	\$ 1,166,441	\$ 1,096,221
Employer's Covered Payroll	\$ 427,643	\$ 382,320
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	272.76%	286.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.008%	71.886%
As of the fiscal year ended (2):	2017	2016
Employer's Proportion of the Net Pension Liability (Asset)	0.1101%	0.1038%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 961,272	\$ 972,964
Employer's Covered Payroll	\$ 328,704	\$ 283,050
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	292.44%	343.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.081%	66.042%
As of the fiscal year ended (2):	2015	
Employer's Proportion of the Net Pension Liability (Asset)	0.1049%	
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 821,468	
Employer's Covered Payroll	\$ 280,420	
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	292.94%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.730%	

(1) Schedule is intended to show information for 10 years. Additional years will be displayed as available.

(2) The amounts presented have a measurement date of MPERS's prior June 30th fiscal year end.

MPERS = Municipal Police Employees' Retirement System

TOWN OF LIVONIA, LOUISIANA
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS (1)(2)

	MPERS	
As of the fiscal year ended (2):	2021	2020
Contractually Required Contribution	\$ 105,872	\$ 102,718
Contributions in Relation to Contractually Required Contribution	105,872	102,718
Contribution Deficiency (Excess)	\$ -	\$ -
 Employer's Covered Payroll	 \$ 336,498	 \$ 310,295
Contributions as a % of Covered Payroll	31.46%	33.10%
 As of the fiscal year ended (2):	2019	2018
Contractually Required Contribution	\$ 141,951	\$ 122,492
Contributions in Relation to Contractually Required Contribution	141,951	122,492
Contribution Deficiency (Excess)	\$ -	\$ -
 Employer's Covered Payroll	 \$ 438,450	 \$ 398,348
Contributions as a % of Covered Payroll	32.38%	30.75%
 As of the fiscal year ended (2):	2017	2016
Contractually Required Contribution	\$ 113,616	\$ 88,058
Contributions in Relation to Contractually Required Contribution	113,616	88,058
Contribution Deficiency (Excess)	\$ -	\$ -
 Employer's Covered Payroll	 \$ 357,845	 \$ 279,550
Contributions as a % of Covered Payroll	31.75%	31.50%
 As of the fiscal year ended (2):	2015	
Contractually Required Contribution	\$ 90,856	
Contributions in Relation to Contractually Required Contribution	90,856	
Contribution Deficiency (Excess)	\$ -	
 Employer's Covered Payroll	 \$ 288,433	
Contributions as a % of Covered Payroll	31.50%	

(1) Schedule is intended to show information for 10 years. Additional years will be displayed as available.

(2) The amounts presented have a measurement date of the Town's fiscal year.

MPERS = Municipal Police Employees' Retirement System

TOWN OF LIVONIA, LOUISIANA

**NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION
LIABILITY AND SCHEDULE OF PENSION CONTRIBUTIONS**

For the year ended December 31, 2021

NOTE 1 - NET PENSION LIABILITY

Changes of Benefit Terms

Municipal Police Employees' Retirement System

No Changes.

Changes of Assumptions

Municipal Police Employees' Retirement System

In 2021, the investment rate of return decreased from 6.950% to 6.750% and the inflation rate remained the same at 2.50%. The long-term expected real rate of return increase from 7.19% to 7.30%.

TOWN OF LIVONIA, LOUISIANA

OTHER SUPPLEMENTARY INFORMATION

TOWN OF LIVONIA, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD

For the year ended December 31, 2021

Agency Head: Mayor Rhett Pouricau

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 12,050
Travel allowance	<u>1,000</u>
Total	<u>\$ 13,050</u>

TOWN OF LIVONIA, LOUISIANA
ACT 87 JUSTICE SYSTEM FUNDING SCHEDULE
COLLECTING/DISBURSING ENTITY

For the year ended December 31, 2021

	First Six Month Period Ending, June 30, 2021	Second Six Month Period Ending, December 30, 2021
BEGINNING BALANCE OF AMOUNTS COLLECTED	\$ -	\$ 86
COLLECTIONS:		
Criminal Fines - Other	299,602	278,713
Court Costs	62,610	62,040
TOTAL COLLECTIONS:	362,212	340,753
DISBURSEMENTS TO GOVERNMENTS AND NON-PROFITS:		
Capital District Law Enforcement, Traffic fines	4,089	4,055
CMIS, Traffic fines	2,086	2,069
Trauma Head & Spinal Cord Injury, Traffic fines	7,695	7,195
Department of Treasury, Handicapped violations	-	208
Louisiana Judicial College, Traffic fines	1,043	1,035
TOTAL DISBURSEMENTS	14,913	14,562
AMOUNTS RETAINED BY COLLECTING AGENCY:		
Town of Livonia, Collections	347,213	326,200
AMOUNT "SELF-DISBURSED" TO COLLECTING AGENCY	347,213	326,200
TOTAL DISBURSEMENTS / RETAINAGE	362,126	340,762
TOTAL ENDING BALANCE OF AMOUNTS COLLECTED AND NOT DISBURSED	\$ 86	\$ 77

**INDEPENDENT AUDITORS' REPORT REQUIRED BY
*GOVERNMENTAL AUDITING STANDARDS***

For the year ended December 31, 2021

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

The Honorable Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the **TOWN OF LIVONIA, LOUISIANA (TOWN)** as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 10, 2022.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2021-002. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported thereon.

The Town's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

This report is intended solely for the information and use of the Town Council and management, the Louisiana Legislative Auditor, and federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
June 10, 2022

TOWN OF LIVONIA, LOUISIANA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2021

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
 - B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2021-001.**
 - C) Material weaknesses: **None.**
 - D) Noncompliance that is material to the financial statements: **2021-002.**
- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2021-001.**
- 3) Findings relating to compliance reported in accordance with *Government Auditing Standards*: **2021-002.**

TOWN OF LIVONIA, LOUISIANA

SUMMARY OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2021

4) FINDINGS - FINANCIAL STATEMENT AUDIT

2021-001 Segregation of Duties

Fiscal Year Finding Originated: 2011

Criteria: Duties within the Town's financial reporting process should be segregated between different individuals to ensure effective internal control over financial reporting.

Condition: The Town does not have adequate segregation of duties over the financial reporting process.

Cause: The finding results from the small number of Town personnel involved in the financial reporting process, which restricts meaningful segregation of duties.

Effect: The Town does not have adequate internal control over financial reporting.

Recommendation: We recommend that the Town continue the current process of:

- Obtaining the Mayor's approval for all Town disbursements,
- The unopened monthly bank statement (including all cancelled checks) be reviewed by the Mayor,
- The Mayor review and sign off bank reconciliations,
- The Mayor and Town Council review the Town's financial statements, on a monthly basis with comparison to budgeted amounts. Furthermore, a listing of monthly cash disbursements be reviewed with the monthly financial statements.

Management's corrective action plan: Due to the size of the Town, the achievement of adequate segregation of duties is desirable to management but is economically impractical. However, the Mayor approves all disbursements of the Town within the range of the Council approved budget, except for those disbursements within the designated Police Department budget which are approved by the elected Chief of Police. All check disbursements are to have dual signatures per Town policy.

5) FINDINGS – NONCOMPLIANCE

2021-002 Compliance with Public Bid Law

Fiscal Year Finding Originated: 2021

Criteria: The Louisiana Public Bid Law (Louisiana Revised Statute 38:2211) requires purchases of \$10,000 or more, but less than \$30,000 dollars, shall be made by obtaining no fewer than three quotes by telephone, facsimile, email, or any other printable electronic form.

Condition: The Town is required to comply with Louisiana. Revised Statute 38:2211, Louisiana. Public Bid Law, for the procurement of materials and supplies.

Cause: During 2021, the Town purchased equipment (laptops) in excess of \$10,000, but less than \$30,000, without obtaining three quotes for the purchase. The purchase consisted of laptops and desktops in the amount of \$12,696, which exceeded the \$10,000 threshold where three quotes are required to be solicited.

Effect: The Town may not be compliant with all aspects of the Louisiana Public Bid Law.

Recommendation: The Town should comply with the Louisiana Public Bid Law for all purchases of materials and supplies and public works projects, as applicable.

Views of responsible officials: Management understands the context of this reportable item as well as the laws and regulations in effect to comply with the Louisiana Public Bid Law. The Town will ensure compliance with the Louisiana Public Bid in future periods.

TOWN OF LIVONIA, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2021

2020-001 Segregation of Duties

This finding has been reclassified as 2021-001.

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

TOWN OF LIVONIA

Livonia, Louisiana

December 31, 2021

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

To the Members of the Council
of the Town of Livonia and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Livonia 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, 2021 through December 31, 2021. The Town's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether 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, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

- 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) **Ethic**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to 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) **Information Technology 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.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

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 whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.

Bank Reconciliations

3. Obtain a listing of entity 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 each selected 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 or 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

Collections (excluding electronic funds transfers)

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).
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 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/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
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 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 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - 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.
- 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 whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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.
- 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 whether 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) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

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, observe the approved reimbursement rate is no more than 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 the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe 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 each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
- a) Observe whether 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 whether 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 the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
- 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 the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

- 16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- 18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
- 19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Ethics

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

- b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Fraud Notice

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.
24. Observe 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.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures:
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

TOWN OF LIVONIA, LOUISIANA

Livonia, Louisiana

SCHEDULE OF EXCEPTIONS

For the year ended December 31, 2021

Exceptions:

No exceptions were found as a result of applying the procedures listed above, except as follows:

Collections (excluding electronic funds transfers)

5 (a) - *The Town has two drawers, one for utility and one for police department. While there are two drawers, when one employee in charge of collecting is absent another employee collects on their behalf.*

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

9 (c) - *The employee responsible for processing payments is able to add/modify vendor files due to size of the staff. No periodic review of vendor files is being conducted; however approval of all disbursements must be done by the Town Mayor. Only one individual has access to the accounting system.*

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.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 10, 2022